

LIFE ADVANCED MARKETS

Essential steps to create an estate planning strategy

and how life insurance can play a role

Creating an estate planning strategy is an important process to ensure that a client's assets are distributed after death in an efficient manner, according to their wishes, and to provide for their loved ones.

Our **Life Advanced Markets Turnkey Program for Estate Planning** can help you provide key information related to the estate planning strategy process and the benefits of life insurance in an estate planning strategy, and help your clients work with their tax advisor and/or attorney on a comprehensive and legally sound plan.

The following pages contain the general steps you and your clients should be aware of and the materials in our turnkey program to assist you.

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Indexed universal life insurance policies require qualification through health and financial underwriting.

There is no guarantee that a policy will earn sufficient interest to support a loan strategy.

Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America (Allianz).

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.7372 www.allianzlife.com

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ASSESS ASSETS AND LIABILITIES

Start by making an exhaustive list of all assets, including real estate, bank accounts, investments, retirement accounts, personal property, and any business interests. Also, list liabilities, such as mortgages, loans, and other debts.

Estate planning fact finder (AMK-811)

- Use to assist your client in gathering all the necessary information to begin the estate planning process.

DEFINE GOALS

Clients should consider what they want to achieve with their estate planning strategy. This may include providing for their family, minimizing taxes, supporting charitable causes, and specifying guardianship for minor children.

Understanding the probate process (AMK-815)

- When probate may be required, how it may be avoided, and a step-by-step guide through the process.

Sample community property consent form (AMK-823)

- Clarifies ownership rights, may prevent disputes.

CHOOSE BENEFICIARIES

Clients should decide who should inherit the assets. This can include family members, friends, and charities. Be clear and precise about what each beneficiary will receive.

SELECT A PERSONAL REPRESENTATIVE

Clients should choose a trusted individual or a professional fiduciary to serve as the personal representative of their estate. This person will be responsible for managing the estate and ensuring your client's wishes are carried out. It's also a good idea to choose a second individual or professional fiduciary to serve as a backup if the primary personal representative is unwilling or unable to serve, or is unable to continue serving as personal representative.

DRAFT A WILL

Working with their attorney, clients can create a legal document that outlines how the assets will be distributed upon death, nominates the personal representative, names guardians for minor children, and specifies any other wishes of the client. It's advisable to work with an attorney to ensure the will is valid and enforceable. It's also important that the will be typewritten or printed because the laws in many states do not recognize a handwritten will as valid.

CONSIDER A TRUST

Depending on the situation, your client may want to work with their attorney to establish a trust to manage their assets. Trusts can provide more control over how and when the assets are distributed and may offer certain tax benefits, such as reducing or eliminating estate and gift taxes by strategically removing assets from a client's taxable estate, or potentially lowering income taxes by distributing income to beneficiaries in lower tax brackets.

Trusts in estate planning strategies (AMK-830)

- A comparison grid of the variety of trust types for specific needs and goals, and their distinct benefits and features.

Selecting the right trustee for your trust (AMK-817)

- Key criteria to consider when selecting a trustee who will have power over all of the assets in the trust.

How to select and use a trust protector (AMK-818)

- A way to add oversight and flexibility so the trust can adapt to changes without costly court intervention.

Sample form of Irrevocable Life Insurance Trust Agreement (single life) (AMK-819)

- Documents that can be shared with your client's attorney to help with their estate planning needs.

Sample notice of withdrawal rights ("Crummey notice") (AMK-822)

- Notifies trust beneficiaries of their right to withdraw contributions made to the trust, and ensure the contributions qualify for the annual gift tax exclusion.

PLAN FOR INCAPACITY

Clients may work with their attorney to prepare documents such as a durable power of attorney and a healthcare directive to designate individuals who can make financial and medical decisions on the client's behalf in the event of the client's incapacity.

REVIEW BENEFICIARY DESIGNATIONS

Help clients ensure that the beneficiary designations on accounts such as life insurance policies, retirement plans, and bank accounts are up to date and are consistent with the client's estate plan.

CONSIDER TAX IMPLICATIONS

Encourage your clients to work with their tax professional and/or attorney to understand the potential tax implications of the estate plan and explore strategies that may help minimize estate taxes.

COMMUNICATE THE PLAN

Clients should inform the personal representative, trustee, beneficiaries, and family members about the estate planning strategy to control expectations, avoid potential misunderstandings, and ensure that everyone is aware of the client's wishes.

Guide to successful family estate planning strategy meetings (AMK-814)

- Leading successful discussions on how wealth should be transferred, managed, and retained across generations.

REGULARLY REVIEW AND UPDATE THE STRATEGY

Life circumstances change, so it's important to periodically review and potentially update the estate planning strategy, especially after major life events such as marriage, divorce, the birth of a child, or the acquisition of significant assets.

Sample annual review form for trustees (AMK-824)

- Helps identify potential problems with the administration of the trust and/or the life insurance policies it owns.

NEED ADDITIONAL HELP? Call the Life Case Design Team  **800.950.7372**