



New York Life Premium Deposit Account Creates Huge Opportunity for Wealth Transfer

By combining the “bonus” gift tax exemption amount and the New York Life premium Deposit Account (PDA) clients can pass tens of millions of dollars to the next generation income and estate tax free.

The Tax Cuts and Jobs Act (TCJA) doubled the amount of the federal estate and gift tax exemption amount in 2018 from \$5,490,000 to \$11,180,000 per person. A married couple together can gift twice the amount a single person can gift. Since the passage of the TCJA, the estate tax exemption amount has been indexed for inflation and the inflation index increase from 2022 to 2023 was the largest increase since the passage of the TCJA. A single individual can pass \$860,000 more in 2023 than he or she could in 2022. A married couple can gift \$1,720,000 more than they could just last year! If a person has not made a taxable gift since 2017, he or she can make an additional gift today of \$7,430,000 and married couples can gift \$14,860,000 more today than they could in 2017!

Nobody knows what future tax law or policy will be after 2025, but the regulations make it clear today that if a person makes a gift of all or a portion of their “bonus” exemption now the IRS will not “claw back” that asset into the estate at death. If, as scheduled, the estate tax provisions of the TCJA expire at the end of 2025 and the opportunity to gift away the “bonus exemption” is missed, it would be a missed opportunity costing roughly \$2,360,000 of estate taxes per person, or \$4,720,000 for a married couple! For clients looking to take advantage of the “bonus exemption”, the New York Life Premium Deposit Account coupled with a single life or survivorship whole life policy is an incredible opportunity.

This increase or, “bonus,” exemption is likely a “use it or lose it” opportunity. Due to budgetary restraints, the increased exemption provisions of the TCJA are set to expire on 12/31/2025. The estate and gift exemption amount will return to its pre-2018 levels on January 1, 2026, which is estimated to be around \$7,000,000 per person after inflation. To ease any concern about future tax law changes, the IRS published regulations in 2019 that make it clear the increased exemption amount available under the TCJA is a “use it or lose it” opportunity.

Year	Estate Exemption	Annual Increase from Prior Year	Cumulative Increase	Total “bonus” exemption
2017	5,490,000	N/A	N/A	0
2018	11,180,000	5,690,000	N/A	5,690,000
2019	11,400,000	220,000	220,000	5,910,000
2020	11,580,000	180,000	400,000	6,090,000
2021	11,700,000	120,000	520,000	6,210,000
2022	12,060,000	360,000	880,000	6,570,000
2023	12,920,000	860,000	1,740,000	7,430,000

Taking advantage of the “bonus exemption”:

Consider a married couple who wants to use some of their bonus exemption to gift \$5,000,000 to an irrevocable life insurance trust – If the trustee deposited the \$5,000,000 into a NYL Premium Deposit Account (PDA), with a crediting rate of 5.50%, it could generate a premium stream of \$628,757 for 10 years. That premium amount could purchase millions of dollars in life insurance death benefit that would be available income and estate tax free to the trust beneficiaries upon the passing of the insureds.

Year	Estimated Annual Premium Payment	Premium Deposit Account Starting Balance	Estimated Interest	Premium Deposit Account Ending Balance
1	628,757	4,371,243	240,418	4,611,661
2	628,757	3,982,904	219,060	4,201,964
3	628,757	3,573,206	196,526	3,769,733
4	628,757	3,140,976	172,754	3,313,729
5	628,757	2,684,972	147,673	2,832,646
6	628,757	2,203,888	121,214	2,325,102
7	628,757	1,696,345	93,299	1,789,644
8	628,757	1,160,887	63,849	1,224,736
9	628,757	595,978	32,779	628,757
10	628,757	0	0	0

The table (right) shows a \$5,000,000 deposit (First-year premium + PDA starting balance):

Let’s look at an example:

If two healthy 50-year-old clients were to avail themselves of this strategy, they could have an immediate, guaranteed death benefit of over \$16,000,000 at issue and more than \$37,000,000 by age 90, assuming current dividends^{2,3}. What’s more? The cash value of the policy would be guaranteed to be more than \$5,000,000 by the 8th policy year so the trustee would have all its money back in the form of policy cash values, substantially de-risking the transaction from a cash flow or liquidity position.

Year	Age	Annual Premium	Cumulative Premiums Paid	Guaranteed Cash Value	Non-Guaranteed Current Cash Value	Non-Guaranteed Current Death Benefit
1	51	626,757	626,757	267,805	267,805	16,171,794
8	58	626,757	3,143,785	5,076,003	5,459,179	16,889,146
10	60	626,757	6,267,570	6,640,624	7,335,131	17,484,925
20	70	0	6,267,570	8,858,585	12,362,014	22,015,111
30	80	0	6,267,570	11,542,618	20,863,804	28,443,326
40	90	0	6,267,570	13,958,037	33,753,616	37,875,083

This is an excerpt of an illustration provided for internal-only training purposes only. It employs nonguaranteed values. When an illustration is presented to clients, values in the illustration must not be highlighted. Clients must be provided with complete illustrations showing the guaranteed values in addition to the nonguaranteed values.

¹PDA rates vary over time, and interest earned on the PDA is taxable each year. Guarantees are based on the claims-paying ability of the issuer.²Assumptions: 10-pay New York Life Custom Survivorship Whole Life Policy, ³Hypothetical example for illustrative purposes only. Rates are subject to change at any time. The values shown are guaranteed once the policy is issued and the Premium Deposit Account agreement is in place. Actual results may vary and may be more or less favorable. Guarantees are based on the claims-paying ability of the issuer. Numbers may not add up precisely due to rounding. Other rate classes are available. Life insurance applications are subject to underwriting.