



# The STAR Plan<sup>®</sup> Introduction

Mark Whitelaw - President

Strategic Talent Appreciation and  
Recognition

Valley View Consultants, Inc. (VVC)

April 15, 2010

## Planning for the Medicare Surtax “Bubble”

The new healthcare bill adds a 3.8% Medicare tax on investment income in 2013 including interest, dividends, rents, royalties, annuities and capital gains on single filers earning \$200,000 joint filers earning \$250,000 and trusts with approximately \$12,000 “Modified Adjusted Gross Income” (MAGI). **The Medicare Surtax does not apply to:**

- Distributions from tax-qualified plans (IRA’s, 401(k), Pensions).
- Distributions from non-qualified deferred compensation (NQDC) plans (SERP or Elective Deferral).
- Properly managed life insurance.

Additionally, the Medicare Surtax it is not indexed for inflation. As your compensation and retirement income needs increase, the more likely you will be impacted by the surtax.

**What is the “bubble”?** Assume you are single and have \$200,000 of MAGI from earned income, 401(k) distributions and NQDC plan distributions. Every dollar of interest income, dividends, etc. that “bubble-up” over the Medicare Surtax threshold, is subject to the 3.8% surtax. Or, you have a trust with of interest, dividends, etc. that “bubble-up” over the \$12,000 threshold.

### How can The STAR Plan<sup>®</sup> featuring ILI help?

- Cash value increases of in-force ILI policies are not subject to the Medicare Surtax.
- Cash value withdrawals of cost basis are not subject to the Medicare Surtax.
- Cash value policy loans against gain are not subject to the Medicare Surtax.
- Third party retirement loans collateralized with life insurance cash values are not subject to the Medicare Surtax.
- Life insurance death benefits are not subject to the Medicare Surtax.

ILI allows the qualifying individual to cost-shift from a 15% to 50% effective tax rate on investment gain to a 5% to 10% effective cost of ILI while providing financial protection to heirs at \$0 incremental cost.

Male Non-smoker			Current ILI Cost Impact on a 9% Market Rate-of-Return at Projected Life Expectancy	
Issue Age	Current Life Expectancy	Projected Life Expectancy	Cash Values	Death Benefits
35	79	87	7.4%	6.0%
50	81	87	10.5%	8.5%

Additionally, when you factor the average cost savings of switching from mutual funds to ILI separate accounts to access leading fund families ... the effective cost of ILI reduces to a 0% tax rate equivalent, or less. Why ILI typically illustrates greater accessible cash value than a non-taxable structure invested in mutual funds.

### Today, to position yourself for a Medicare Surtax sheltered future:

- Utilize tax qualified and NQDC plan structures to the extent reasonable given the escalating tax environment.
- Commence diversifying unprotected assets to The STAR Plan<sup>®</sup> featuring ILI to minimize MAGI and maximize cash management opportunities ... while adding a measure of financial protection for your family.

**We look forward to visiting with you so you can ascertain if The STAR Plan<sup>®</sup> is a practical fit for you and your family.**

This overview is for educational purposes only. Please contact [Mark@ValleyViewConsultants.com](mailto:Mark@ValleyViewConsultants.com) for your personal STAR Life Events Analysis.

Valley View Consultants, Inc. is an ILI third party administrator (TPA) and the developer and administrator of The STAR Plan<sup>®</sup>.

**Valley View Consultants, Inc.**

8522 Greenbriar Estates Edwardsville, IL 62025 (618) 656-6519

[www.ValleyViewConsultants.com](http://www.ValleyViewConsultants.com)