

# Accelerated Death Benefits

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Prepared for:

## What Are Accelerated Death Benefits?

In addition to emotional strain, a serious or life-threatening illness can cause financial strain for individuals and their families. To help ease that burden, many life insurance companies now make it possible for policyholders to collect all or part of their death benefits early.

## When Are Accelerated Death Benefits Payable?

Frequently referred to as "living benefits," accelerated death benefits are life insurance proceeds paid to policyholders before they die. For example, an insured may receive all or a portion of the policy's death benefit under circumstances such as:

- terminal illness with death expected to occur within a specified period of time, such as six months;
- confinement to a nursing home, either permanently or for a specified period of time; or
- a specified catastrophic illness or the need for an organ transplant.

## How Are Accelerated Death Benefits Taxed?

Generally, an accelerated death benefit will be received free of income tax. However, there may be limitations on the amount that can be received tax free. As a result, at least a portion of an accelerated death benefit disbursement may trigger a "taxable event" for the insured. Consult a tax professional about the possible tax implications of accepting a disbursement of accelerated death benefit funds.

You should also be aware that the receipt of accelerated death benefits may affect eligibility for certain government benefits or entitlements.