



ACCESS TO CASH VALUES FOR FOREIGN NATIONALS

Transamerica offers a wide variety of life insurance products to Foreign National clients, some of which include potential cash value accumulation. While access to cash values can be a major selling point, it is important to understand the specific tax implications of loans, withdrawals and surrender proceeds, specifically for Foreign Nationals.

Tax Guidelines for Cash Values:

- ▶ Any taxable gain in cash withdrawn from or received on surrender of a U.S. life insurance policy during the life of the policy owner who is a non-resident alien for U.S. income tax purposes is generally subject to tax reporting and to tax withholding equal to 30% of the gain. The tax will be withheld from the payment unless the policy owner qualifies for a lesser tax rate under a tax treaty.
- ▶ Withdrawals and surrender proceeds reduce tax basis and are taxable once non-taxable distributions equal to the tax basis for the policy have been received. Loans, pledges and collateral assignments of the policy are not taxable when taken but may be taxable when a policy is surrendered.
- ▶ If the U.S. life policy is a **Modified Endowment Contract (MEC)**, the guidelines change. 30% tax withholding also applies to pledges and collateral assignments of the policy or loans from the policy to the extent of taxable gain in the policy at the time they are made. Withdrawals and surrender proceeds are considered taken from gains in the policy first and only reduce basis after gains have been withdrawn. As above, gains are reportable and subject to withholding. In addition, a 10% excise penalty may apply to taxable amounts received from a MEC.

A Modified Endowment Contract (“MEC”) is a cash-value life insurance policy that is classified as a MEC because premiums paid have exceeded a limit provided under federal tax law. A MEC remains a life insurance contract and its death benefits generally remain tax-free.

For more information please contact Transamerica’s Advanced Marketing team at (877) 238-6758 or advancedmarketing@transamerica.com.

Transamerica’s variable life products are not currently available for sale to individuals residing outside the U.S. unless they are U.S. citizens. Cash-value withdrawals, loans or surrenders can have unforeseen tax consequences for clients. Be sure to discuss the above-mentioned tax guidelines with Foreign National clients so they have a better understanding of their policy options.

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Discussions of the various planning strategies and issues are based on our understanding of the applicable federal tax laws in effect at the time of publication. However, tax laws are subject to interpretation and change, and there is no guarantee that the relevant tax authorities will accept Transamerica's interpretations. Additionally, this material does not consider the impact of applicable state or foreign laws and regulations or income or estate tax treaties between the U.S. and other countries upon clients and prospects. Clients should consult with and rely on their own legal and/or tax advisor to determine the consequences, if any, of owning or receiving proceeds from a Transamerica policy.

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