How Will You Leave Your Legacy?

By Terry Heys

As time moves onward, we all begin to think more about how we want to be remembered. When we have people we care about, we certainly also want to leave something behind. Unfortunately, when reality sets in, the truth is that as much as we'd like to hand over all of our treasured assets, Uncle Sam may have a say in how - and how much - we can offer.

Different situations will call for differing ways in which we can, and should, leave something of ourselves to those we love. For some -especially if you are considering leaving a gift to your grandchildren - it may be life insurance proceeds, and for others, a 529 college savings plan could be the ideal planning option.

But if you really want to leave an ideal legacy, while at the same time provide a gift of true value, planning with an annuity may just allow you some benefits that no other financial vehicle can provide.

Leaving a Legacy That They'll Always Cherish

While a one-time gift may be a loving gesture, what if you were able to provide a gift that keeps on giving, year after year, for the rest of your grandchild's life? It is a guaranteed fact that if a person receives a check from someone every year, the recipient will continue to remember that gift giver on a regular basis. How nice would that be to have them remember you regularly!

There are many ways that you can set these gifts up, but some suggestions may include having the annuity check arrive each year on your grandchild's birthday, on Christmas, or on another significant holiday.

You can also take the gift even further. For example, when your grandchild passes away, the checks from the annuity can continue to his or her child (or children) for the remainder of *their* lives, too! While you may never even meet your great-grandchildren, they too will be receiving a gift from you.

In addition, these checks do not have to remain at the same amount. You can also add an inflation protection rider to them so that the amount will go up over time. This will help the recipients to make better use of the money in terms of future purchasing power.

Over time, an initial deposit of $100,000 could essentially grow to $1 million, $2 million, or more in total gifts received, depending on how long the income pays out, the rate of return offered by the insurance company, and how many recipients are set up to receive the income payouts. What other financial product will allow you to do this?

When income is received, only a portion of that income will typically be taxable. This is because part of the income from an annuity is usually considered to be a return of principal and part is considered to be earnings. While the part considered earnings is taxed, the portion that is a return of principal from a non-qualified annuity is not taxed again.

The Very Best Gift You Can Give

While others may give gifts that are soon forgotten, providing those whom you love with an ongoing gift of income that will last for the remainder of their lives - or longer - will ensure that you have created a legacy for yourself, as well as a nice financial cushion for the younger generation of your heirs.