

What's Taxed & What's not

- **Cash values**: Not taxed while in policy. Loans not taxed. Withdrawals taxed at FIFO. Policy surrender can cause tax.
- **Death Benefits**: Lump sum not taxed. Fixed period, fixed amount, interest only, life income is taxed, but only the interest.
- **Accelerated Benefits**: Terminal, tax free. Chronically ill, some taxed, some not, limit is changed annually.
- **Viaticals**: Taxed to the person buying, tax free to the insured.
- **1035 exchanges**: Not taxed
- **Transfer for Value Rule**: How viaticals are taxed, (gain is taxed). Not taxed when transferred to the insured, a partner, or a corp. the insured has an interest in.
- **Premiums**: Only deductible if Charitable, Alimony, Biz. Creditor, Group Term Life