

Allianz Life Insurance
Company of North America

Allianz Life Insurance
Company of New York

Domestic Partners: Tax, Retirement, and Estate Strategies

Presented by Joy D. Kirsch, CFP®
Financial Planning & Securities offered
through LPL Financial.
Member FINRA/SIPC



Allianz 

Allianz  New York

Please note

This material is prepared by Allianz Life Insurance Company of North America and its affiliate Allianz Life Insurance of New York for use by financial professionals.

Joy D. Kirsch, CFP® is not an employee of Allianz Life Insurance Company of North America (Allianz), Allianz Life Insurance Company of New York (Allianz Life® of NY), or their subsidiaries or affiliated companies.

Joy can be reached at jkirsch@kirschassociates.com and at:

(Office Phone): 817-267-9480

(Cell Phone): 214-662-4180

(Office Address) 2828 Hood Street, Ste. 506, Dallas TX 75219

(Mailing/Office Address): 2324 Cheek-Sparger Rd., Ste. A, Bedford TX 76021

This material is prepared by Allianz Life Insurance Company of North America (Allianz) and its affiliate Allianz Life Insurance of New York (Allianz Life® of NY) for use by its financial professionals.

Before we begin

This presentation is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that Allianz Life Insurance Company of North America (Allianz), Allianz Life Insurance Company of New York (Allianz Life® of NY), and Allianz Life Financial Services, LLC, their affiliated companies, and their representatives and employees do not give legal or tax advice.

Allianz, Allianz Life of NY, and Allianz Life Financial Services, LLC, are affiliated companies.

- Not FDIC insured • May lose value • No bank or credit union guarantee • Not a deposit • Not insured by any federal government agency or NCUA/NCUSIF

New definition of married

Obergefell v. Hodges

- U.S. Supreme Court decision (June 26, 2015)
- Same sex couples can marry in all 50 states
- States must recognize same sex marriages lawfully licensed and performed in other states
- **Registered domestic partners and civil unions NOT included**

Unmarried domestic partner needs and opportunities

THE SAME

General needs like all individuals – married or not

- Income Tax issues
- Retirement issues
- Wealth transfer issues

YET DIFFERENT

Unique situation

- Special rules to consider for non-spouses



1

Income tax strategies

For unmarried domestic partners

Federal income taxes

Federal filing status

- Single
- Head of Household
 - Unmarried on last day of the year
 - Paid more than 50% of keeping up a home for a qualifying person – child or other relative



Form	1040	Department of the Treasury—Internal Revenue Service (99)	U.S. Individual Income Tax Return	20
For the year Jan. 1–Dec. 31, 2012, or other tax year beginning , 20				
Your first name and initial			Last name	
If a joint return, spouse's first name and initial			Last name	
Home address (number and street). If you have a P.O. box, see instructions.				
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below.				
Foreign country name			Foreign province/state	
Filing Status	1 <input type="checkbox"/> Single			
	2 <input type="checkbox"/> Married filing jointly (even if only one had income)			
Check only one box.	3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ►			
–	..	6a	<input type="checkbox"/> Yourself. If someone can claim you as a dependent.	

Can a partner be claimed as a dependent?



- Provide more than 50% of support
- Lived in your home all year
- Earned less than \$4,000 in 2015
- Not a spouse

Internal Revenue Service Rev. Proc. 2013-35.

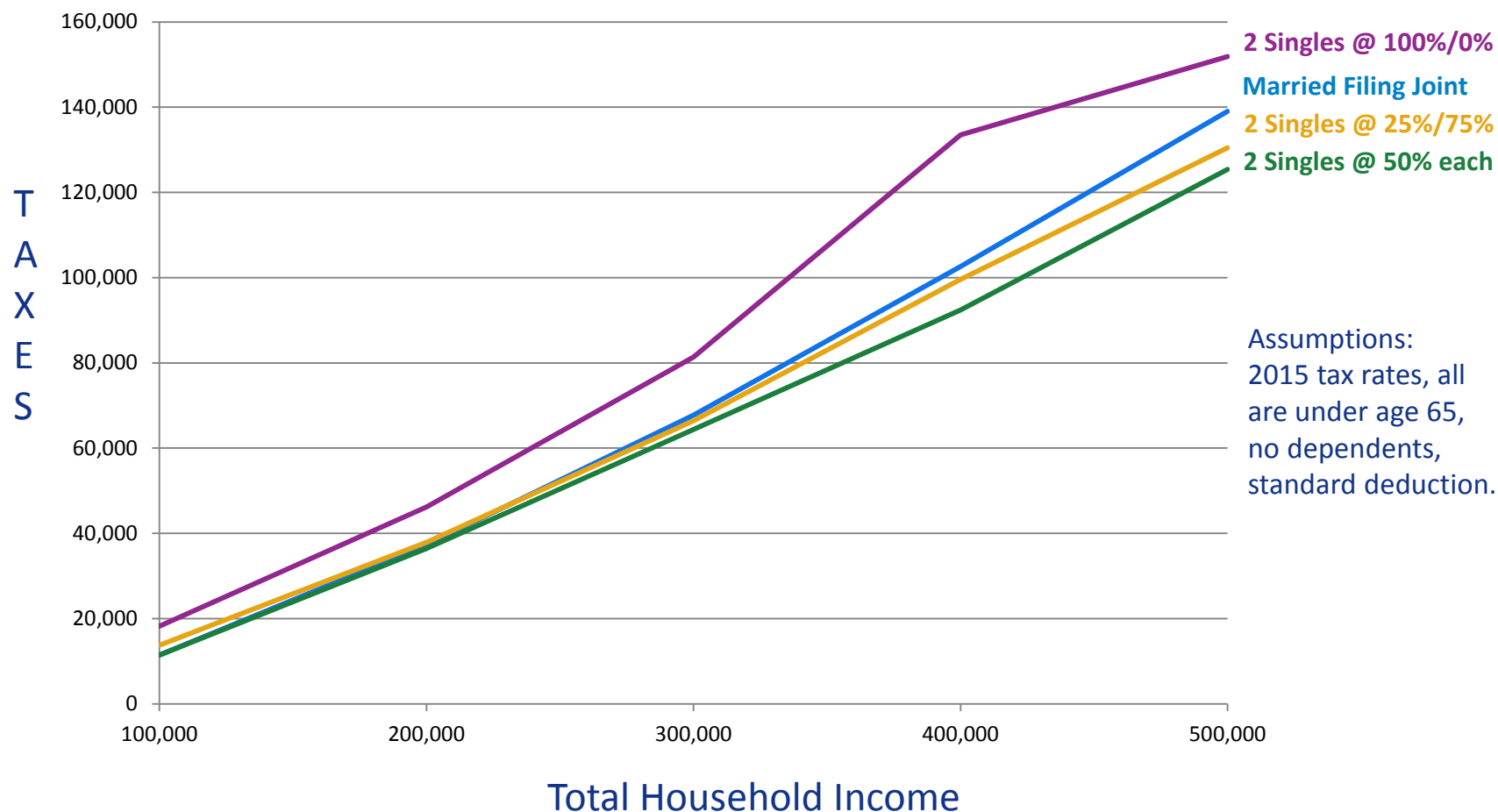
Unmarried penalty?

Do two “singles” pay more than a married couple filing jointly?



Depends on how the income is split

How income splitting stacks up



This hypothetical example is provided for illustrative purposes only and does not represent actual clients.

Is double dipping ever a good thing?

Two single individuals can “double dip” their deductions.

	MARRIED		TWO SINGLES		
			A	B	A+B
AGI	\$150,000		\$75,000	\$75,000	\$150,000
Deductions	-\$15,000		-\$6,300	-\$15,000	-\$21,300
Personal exemption	-\$8,000		-\$4,000	-\$4,000	-\$8,000
Taxable Income	\$127,000		\$64,700	\$56,000	\$120,700
Tax	\$23,338		\$11,969	\$9,794	\$21,763

This hypothetical example is for illustrative purposes only. You should seek advice of your tax advisor.

Potential savings \$1,575

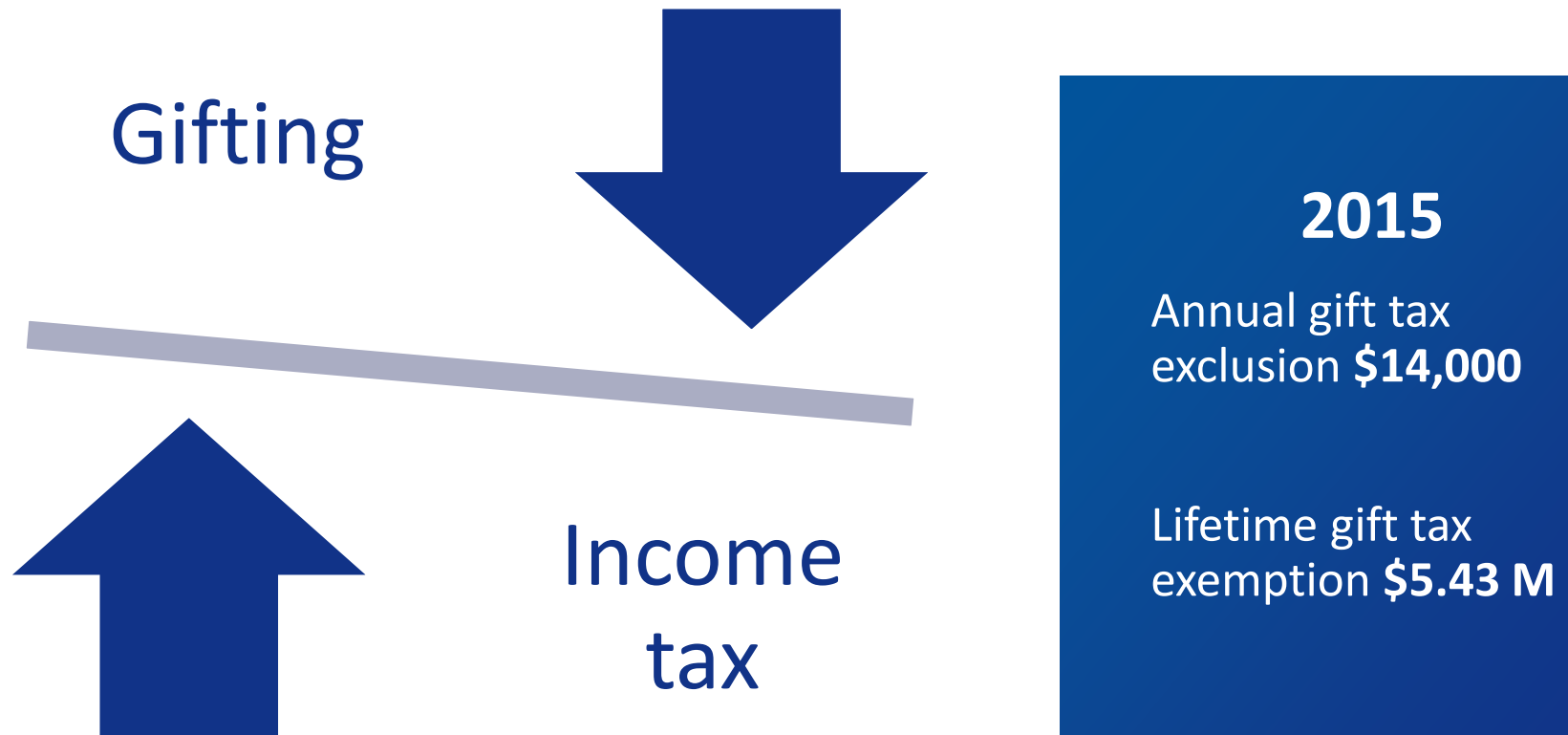
Imputed income

**Employer provided
health insurance to cover
an unmarried partner**

**Can generate
additional income
for the employee**



Tax strategies

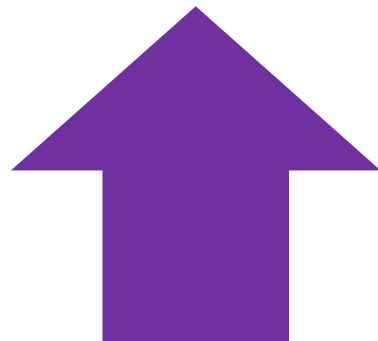
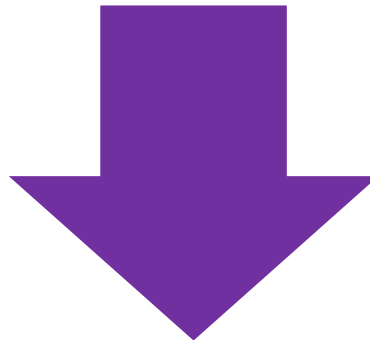


Internal Revenue Service Rev. Proc. 2014-61.

Gifting investment assets to other partner

Tax strategies

Charitable
contributions



Income
tax

2015

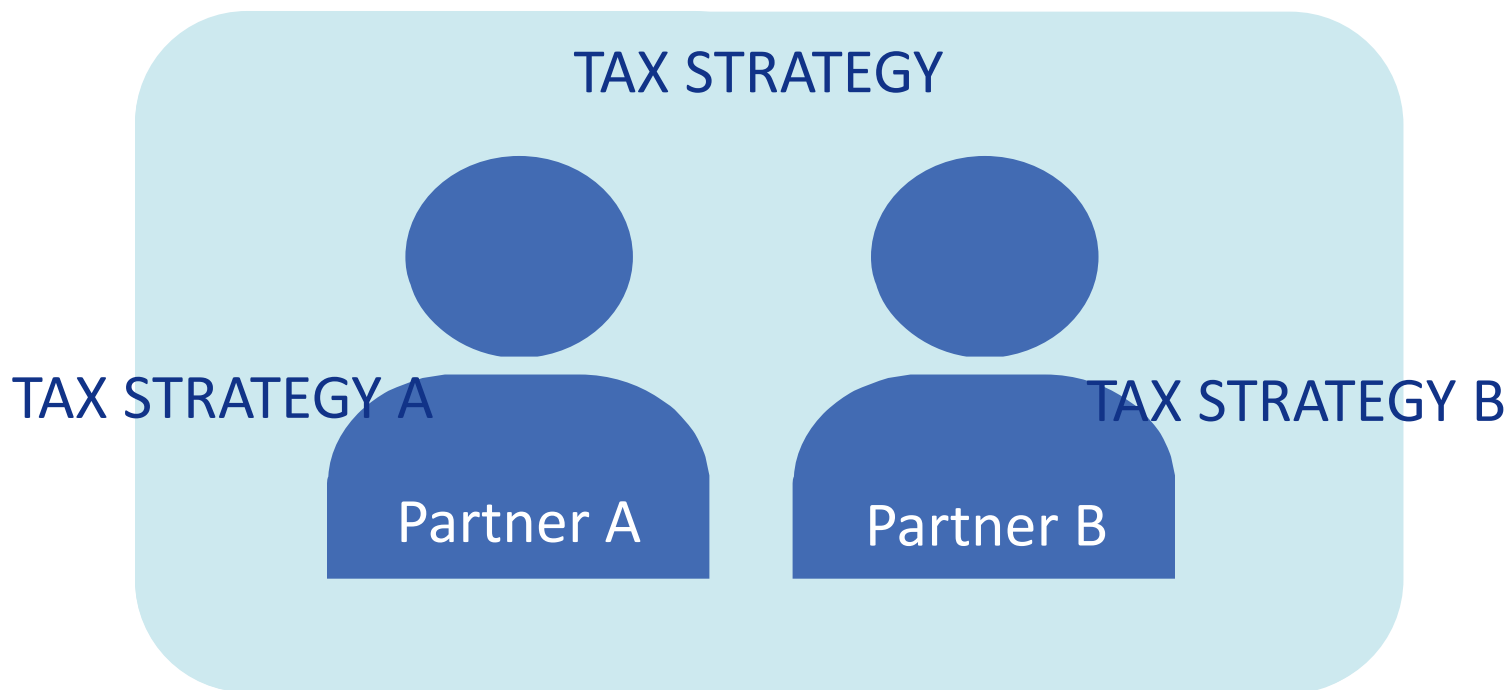
Annual gift tax
exclusion **\$14,000**

Lifetime gift tax
exemption **\$5.43 M**

Internal Revenue Service Rev. Proc. 2014-61.

Grouping certain deductions

Tax strategies and separation for unmarried couples



Before you implement any tax strategy, you should understand how the strategy would impact each of you in a separation. See your tax advisor for more information.



2

Retirement strategies

For unmarried domestic partners

Retirement issues

- No Social Security spousal benefits
 - Retirement, death, divorce
- Limited joint pension options¹
- Qualified retirement plan and IRA considerations:
 - No spousal rollover at owner's death
 - Required minimum distribution (RMD) vs. stretch
 - No ability to distribute over two lives (primary “spousal” ownership then “stretch” beneficiary)
- Nonqualified deferred annuities
 - No spousal continuation at owner's death
 - Death beneficiary must be taken within 5 years or over beneficiary's life expectancy if payments begin within 1 year of the owner's death

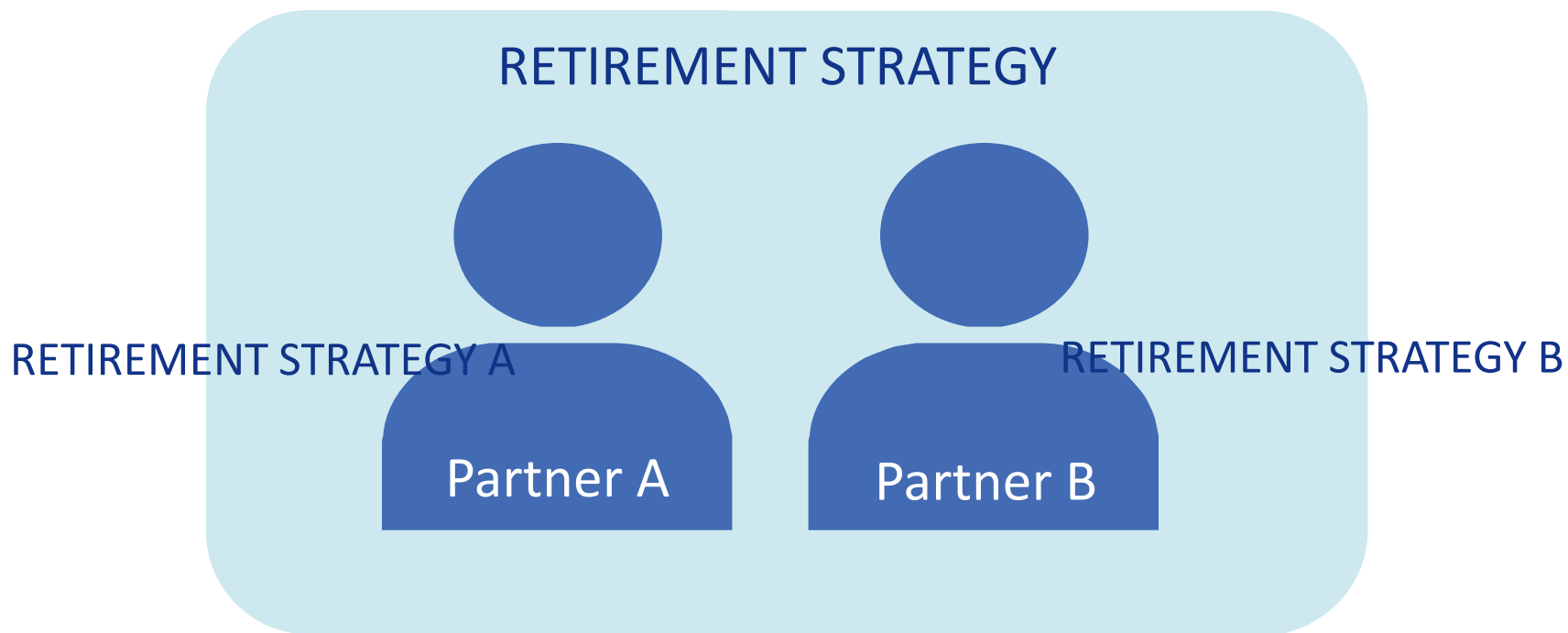
¹ Some states provide joint distribution options for state-sponsored retirement plans.

Retirement strategies

- **Review your retirement accumulation strategy**
 - Know the limitations of the survivor's options
- **Check your 401(k)s and/or pensions**
 - Determine what they offer
- **Carefully consider updating pension distribution choices**
 - Understand survivor's options
 - Lump sum*
 - Single life only*
 - Life with 10-year certain*
 - Etc.*



Retirement strategies and separation for unmarried



Before you implement any retirement income strategy, you should understand how the strategy would impact each of you in a separation.



3

Estate planning strategies

For unmarried domestic partners

Federal estate planning issues for unmarried

Unlike married couples, **unmarried couples** may face:

- ***NO*** unlimited marital deductions
- ***NO*** portability
- ***NO*** gift splitting
- ***NO*** Social Security survivor's benefits



A possible life insurance option

Life insurance cross owned *purchase of two individual policies*

- Helps pay federal estate taxes at first death
- Helps provide income replacement for surviving domestic partner
- Helps pay-off debts and other expenses



Estate gift exclusion

Be aware of gifting when retitling individual assets

- Paying partner's living expenses – may be seen as an indirect gift

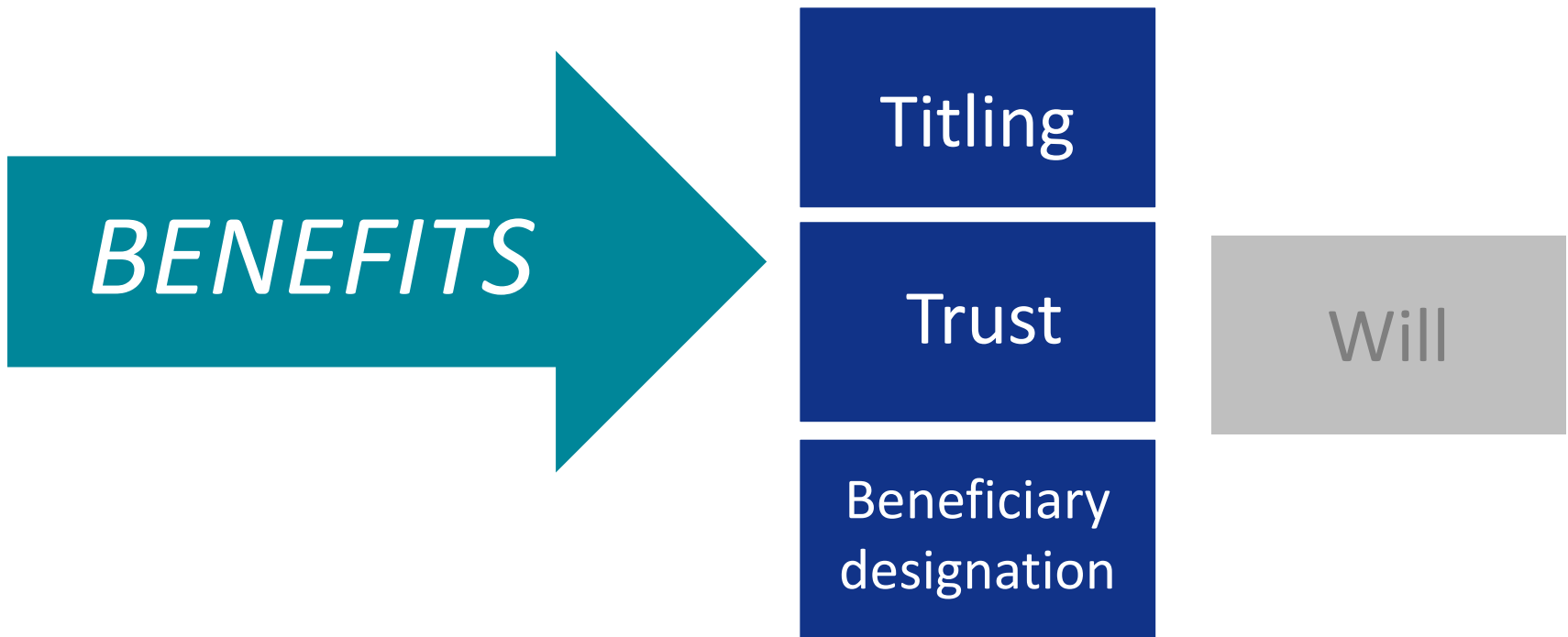
2015 annual gift tax
exclusion amount is \$14,000

Internal Revenue Service Rev. Proc. 2014-61.



Estate transfers

Passing benefits and/or property through titling, a trust, or beneficiary designations may be better than using a will.



Property titling

Property ownership is controlled by state law

AVAILABLE TO ALL

- Sole ownership – subject to probate
- Tenancy in common – subject to probate
- Joint tenancy with right of survivorship – bypasses probate

MARRIED COUPLES

- Community property

Check with a local estate planning attorney

Trust strategies

- Viable option for many domestic partners
- Many types of trusts
- Living trusts – be sure to have property title be in name of the trust and trustee
- Trustees should be selected with care

TYPES OF TRUSTS

- Revocable
- Irrevocable
- Living
- Testamentary

Check with a local estate planning attorney

Beneficiary designations

- Annuities, life insurance, IRAs, 401(k)s, other qualified plans
- Bypasses probate (if the beneficiary is not the estate)
- Naming domestic partner as beneficiary overrides will and state intestacy laws

AVOID NAMING THE ESTATE

- Subject to probate
- Passes by will
- If no will, then subject to state intestacy laws

Check with a local estate planning attorney

Important documentation

1. Cohabitation/Domestic Partner Agreement

- Few, if any, federal statutes protect unmarried partners in a separation. Some states are addressing this.
 - Identify property ownership/allocation/intention
-



HYPOTHETICAL
CASE ONE

A and B are unmarried. The house is owned by A.
For 10 years, A and B contributed funds to pay
the mortgage, real estate taxes, upkeep, etc.
Now, upon separation, is B entitled to anything?

For illustrative purposes only and does not represent actual clients.

Important documentation

1. Cohabitation/Domestic Partner Agreement

- Few, if any, federal statutes protect partners in a separation. Some states are addressing this.
 - Identify property ownership/allocation/intention
-



A and B are unmarried and B stays at home and cares for A's children.

Thereby, B forgoes retirement benefits (e.g., Social Security and qualified plan benefits).

Is B entitled to anything?

For illustrative purposes only and does not represent actual clients.

Important documentation

2. Living trust

Intestacy often does not consider domestic partner

- No probate
- May reduce contest
- Increased privacy
- Can “spin-off” trust to manage property for lifetime partner income with remainder to beneficiary



Check with a local estate planning attorney

Important documentation

3. Will – subject to probate

- Pour-over provision
- Final instructions
- Guardianship



Check with a local estate planning attorney

Important documentation

4. Power of Attorney (POA)

General POA

Financial POA

Durable POA

5. Healthcare Power of Attorney

- Appoints someone to make medical/treatment decisions
- Default is often next of kin (partner may not be recognized)

6. Living will

- Makes your life support wishes known
- Terminology varies by state



Check with a local estate planning attorney

Unmarried high-net-worth individuals

Large estates

\$5.43 million or greater in 2015

Consider trusts to reduce impact of estate taxes

- A Grantor Retained Income Trust (GRIT)
- A charitable trust
- Irrevocable Life Insurance Trust (ILIT)

Seek the advice of your local estate planning attorney.

Internal Revenue Service Rev. Proc. 2014-61.



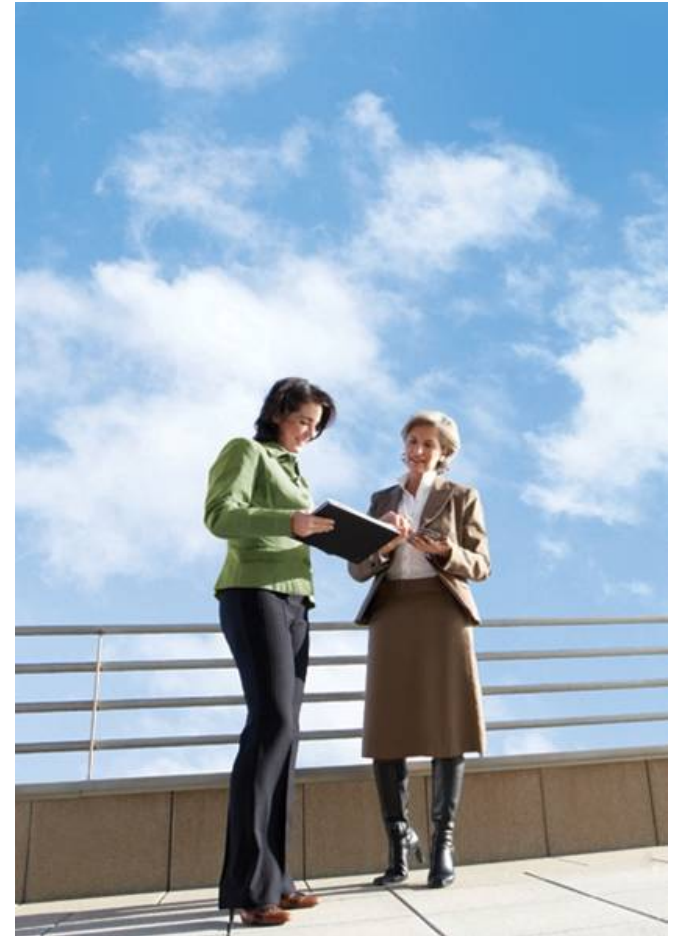


4

Recap

Consider the following next steps

- Work with a local estate planning attorney to help get your documents in order
- The attorney should have the appropriate expertise in domestic partner situations
- Consider a team approach with attorney, CPA, and a financial professional



Considerations for you and your Financial Team

- Consider **income tax** situations.
- **Carefully plan** for retirement
- **Wealth transfer strategies** may be the most important issue for many domestic partners.

In closing

This presentation is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market, or recommend any tax plan or arrangement. Please note that Allianz Life Insurance Company of North America and Allianz Life Insurance Company of New York, their affiliated companies, and their representatives and employees do not give legal or tax advice.

• Not FDIC insured • May lose value • No bank or credit union guarantee • Not a deposit • Not insured by any federal government agency or NCUA/NCUSIF

Guarantees are backed by the financial strength and claims-paying ability of the issuing company. Variable annuities do not apply to the performance of the variable subaccounts, which will fluctuate with market conditions.

Products are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. www.allianzlife.com. In New York, products are issued by Allianz Life Insurance Company of New York, One Chase Manhattan Plaza, 38th Floor, New York, NY 10005-1423. www.allianzlife.com/new-york/. Variable products are distributed by their affiliate Allianz Life Financial Services, LLC, member FINRA, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. www.allianzlife.com. Only Allianz Life Insurance Company of New York is authorized to offer annuities and life insurance in the state of New York.

In closing

Can you imagine yourself being in another committed relationship? What might it look like?

What other reasons can you think of that might affect your decision to marry or not?