



Confusion About Estate Taxes Reigns Among Americans

Proposed Changes To Estate Tax Legislation May Send Unintended Ripple Through Life Insurance Industry

According To Latest Ipsos Survey, Americans Sympathetic Towards Small Business Owners

May 19, 2005, New York, NY – As Congress considers repealing the estate tax, Americans remain confused over who actually has to pay the tax and most aren't aware that buying life insurance can reduce their tax burden, according to Ipsos-Insight, a leading independent survey-based research firm. The findings from a new survey on the highly partisan subject also suggest that repealing the estate tax may send an unintended ripple through the country's life insurance industry as some Americans say they plan to cancel their insurance policies if the tax is repealed.

The company recently interviewed a representative sample of 1,000 Americans on a number of questions related to the estate tax and insurance. The company found that:

- 39% of respondents expect to pay estate taxes when in reality only 1-2 percent of Americans really do,
- Half did not know that life insurance is a possible solution to alleviate the estate tax burden,
- 8% of Americans would consider canceling their life insurance should the estate tax be repealed,
- And 59% percent of Americans said small business owners and farmers should be exempt from paying estate taxes.

% of Americans That Believe Small Business Owners and Farmers Should be Exempt From Paying Estate Taxes



Source: Ipsos-Insight, Ipsos US Express, May 9 - 11, 2005



The estate tax, paid by the estates of the richest 1-2 percent of Americans after they die, generated about \$24 billion for the federal government last year, according to the Internal Revenue Service. The estates of about 73,000 deceased Americans paid the bill.

Under a 2001 law, the tax is being gradually phased out until 2010, when it will cease to exist for one year. It will return in 2011 unless Congress passes a law to abolish it permanently. Others say the tax, which was created early last century, should be reformed, not repealed.



Americans, meanwhile, remain confused over the issue and largely unaware of tax abatement options and consequences if the law is repealed, said Doug Cottings, a senior vice president and leader of the financial services industry research practice with Ipsos-Insight.

“For basically pennies on the dollar, anyone concerned about paying estate taxes can address those needs through life insurance,” Cottings said. “Congress needs to thoroughly understand the ramifications of their decisions. They may exacerbate the country’s budget deficit, neglect retirement security issues and encourage many Americans to reduce their life insurance coverage.”

Unintended effect on Life Insurers a possibility

Approximately 25% of those people who said they would consider canceling their life insurance should Congress repeal the estate tax have incomes of less than \$50k. This has serious implications since the middle and lower markets are the least prepared financially for the impact of death, Cottings said.

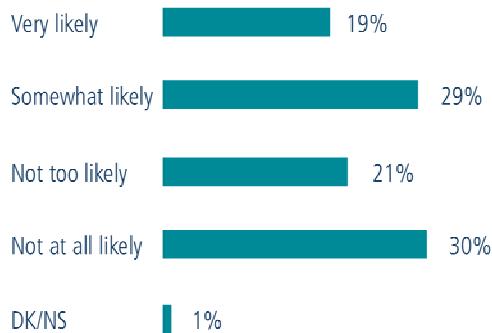
“Both Congress and the Insurance Industry have a mutual obligation to educate the American public regarding who will actually be impacted by estate tax modifications and what the actual results of the impact will be,” he added.

Among the other findings of note from the survey:

- If Congress repeals the estate tax, 57% say they are likely to save and invest more in order to build a larger amount to pass on to their heirs,
- If Congress does not repeal the estate tax, 48% of Americans are interested in purchasing additional life insurance,
- Responses are surprising similar across income levels, gender and age. An exception being around the attitudes towards more aggressive saving and investing, should Congress repeal the tax. Males and Gen Xers are more likely to say they will save and invest.



Likelihood of Americans To Purchase Life Insurance If Congress Keeps the Estate Tax in Place



Source: Ipsos-Insight, Ipsos US Express, May 9 - 11, 2005



“Life insurance is a wonderful solution for a tax-effective wealth transfer from one generation to another since the death benefit is not taxable by the U.S. government,” said Cottings. “But if Congress eliminates the estate tax or significantly increases the limit, then people will not buy life insurance for estate-tax purposes and in some situations, drop their coverage. Millions of Americans already lack adequate insurance coverage. The consequences of not being financially prepared can be devastating to families and small businesses. It is evident that mitigating unintended risks associated with the repeal of the estate tax will be very difficult to achieve.”

Methodology

Data were gathered using the Ipsos U.S. Express omnibus survey May 9-11, 2005. Interviews were conducted via telephone among a nationally representative U.S. sample of 1,001 adults aged 18 and older. The margin of error is +/- 3.1%.

Contact information:

Doug Cottings
Senior Vice President & Practice Leader, Ipsos-Insight Financial Services Division
336.668.8340
doug.cottings@ipsos-na.com

Ipsos-Insight

Ipsos-Insight, the flagship marketing research division of Ipsos in the U.S., has industry specialists serving companies in the following categories: consumer products; technology and communications; health and pharmaceutical; financial services; cable, media and entertainment; agrifood; energy and utilities; and lottery and gaming.

Ipsos-Insight provides custom and tracking research services to domestic clients, as well as U.S.-based multinationals. It offers concept and product testing, package testing, attitude and usage studies, omnibuses, tracking systems, brand equity, price optimization and segmentation, marketing models, advanced analytics, and global research. Ipsos-Insight is an Ipsos company, a leading global survey-based market research group.

To learn more, please visit www.ipsos-insight.com.

**Ipsos**

Ipsos is a leading global survey-based market research group, which conducts research in more than 100 countries. Ipsos offers a full suite of research services—guided by industry experts and bolstered by advanced analytics and methodologies—in advertising, customer loyalty, marketing, media, and public affairs research, as well as forecasting and modeling. Member companies in Europe, North America, Latin America, the Middle East and Asia-Pacific also offer a full line of custom, syndicated, omnibus, panel, and online research products and services. Visit www.ipsos.com to learn more about Ipsos offerings and capabilities.