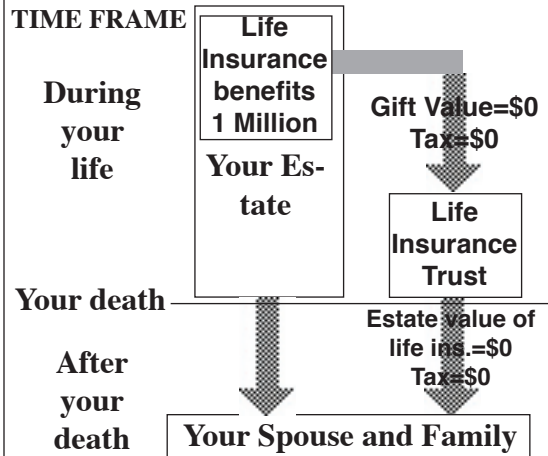


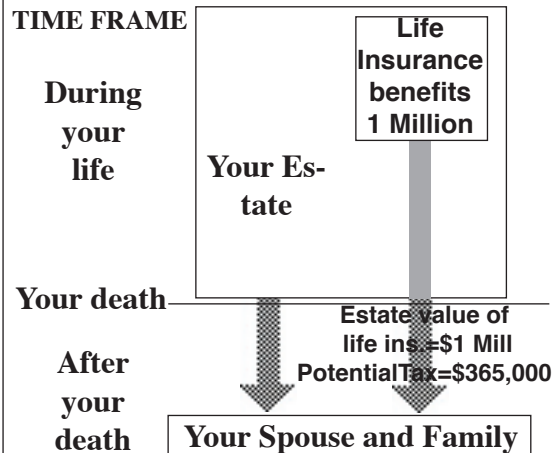
How Does a Life Insurance Trust Work?

With a Life Insurance Trust



With a life insurance trust, your insurance benefits are removed from your estate and are not taxed.

Without a Life Insurance Trust



Without a life insurance trust, your insurance benefits are part of your estate and fully taxable.

Information presented is based on a typical large estate with substantial insurance benefits. Actual figures, circumstances, and recommendations may vary.

What is a life insurance trust?

- It is an agreement/contract that specifies to whom your life insurance proceeds should be distributed after your death.
- In the agreement you transfer all or part of your life insurance benefits to the trust.
- You appoint a trustee to manage the trust.
- The beneficiaries of the trust are your spouse and your children or heirs.
- Upon your death, the trustee distributes the life insurance proceeds to your beneficiaries.

Why do I need one?

- Your life insurance proceeds **are** subject to death taxes after allowable deductions.
- Without a life insurance trust**, when you die the **government can tax you** on the life insurance proceeds that pass to your heirs.
- The federal death **tax is 33% to 55%** of the amounts over your allowed deduction.
- A properly drafted life insurance trust can pass **unlimited** amounts of money to your heirs **tax free** even if you have used up your entire estate tax deduction.

What does it do?

- You transfer your insurance policies to the trust, when they are of low or little value.
- Because the value of the life insurance benefits are of little value while you are alive, there is usually no tax because of the transfer.
- But when you die, the life insurance benefits are great, but the benefits were already transferred to your family before your death.
- Therefore, the life insurance benefits are not included in your estate and are not subject to death taxes.

Who Needs a Life Insurance Trust?

- You want to provide the maximum estate possible to your heirs tax free.
 - You want to maximize your death tax deduction.
 - You want to make sure none of your estate is taxed.
 - A significant amount of your estate is in life insurance benefits already.
 - You want to increase the value of your estate with life insurance.
 - You already have a tax advantaged living trust and you want additional death tax advantages.
 - You have already used up your gift and estate tax deductions.
 - You expect your estate to exceed the death tax
- If you checked **any** of the boxes above, you may need a life insurance trust.
- The more boxes you checked, the more likely you need a life insurance trust.

Other Questions Answered

- Q: What if my life insurance has a high cash value, won't I be charged a gift tax on the cash value transferred?
- A: In most cases, even on life insurance with high cash value, the death benefits can be transferred to a life insurance trust without any gift tax, if they are properly transferred.
- Q: Can term and whole life insurance and annuities be transferred to a life insurance trust?
- A: Yes, most types of life insurance benefits can be transferred to a life insurance trust.
- Q: Who decides how the life insurance proceeds are distributed if I have a life insurance trust?
- A: You specify in the trust agreement to whom your insurance proceeds are to be distributed.