



Irrevocable Life Insurance Trusts

Clients with a net worth high enough to be subject to the estate tax will often have substantial illiquid assets as part of their overall investment portfolio. Accessing the value of these types of assets for liquidity to pay estate taxes (due within nine months of death) often results in accepting prices that are forced lower by this time constraint.

To avoid this fire sale situation, clients often choose to liquidate more of their investment assets to cover estate taxes. They sell marketable securities and take withdrawals from investment and brokerage accounts.

The use of a properly structured and administered Irrevocable Life Insurance Trust (ILIT) and the life insurance it holds can provide the liquidity necessary to cover estate taxes. This avoids or limits the sale of other investment assets managed by a financial professional.

ILITs can help accomplish other planning goals as well. When a client does not have a taxable estate, life insurance inside an ILIT can help leverage the amount of money that passes to the client's heirs. Since the death benefit will be received inside an ILIT, the client can dictate through the terms of the trust just how the insurance proceeds are to be used and allocated to the beneficiaries. If drafted properly, the trust may protect the insurance proceeds from the beneficiaries' creditors, including potential divorcing spouses. If dynasty provisions are included, the trust can prevent future depletion of trust assets by eliminating estate taxes paid by future generations on the assets held in the trust, for as long as state law permits.

Discussing estate planning and life insurance with clients can help financial professionals retain assets by minimizing loss due to estate taxes and potential creditor claims of heirs. Using Premier Trust as independent trustee to administer trusts mitigates the chance for potential poaching of client assets by other investment managers, banks or trust companies. Financial professionals become a valuable resource to help clients accomplish long-term goals.

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