

Irrevocable Life Insurance Trust

Do You Know A Client Who...

- Has a need for a life insurance death benefit?
- Faces potential estate liability at death?
- Wants family members to have cash at his/ her death to help pay estate taxes, liquidate debts or maintain an accustomed standard of living?
- Wants to help replace assets given to charity?
- Wants life insurance proceeds to pass to his/ her heirs transfer tax-free?

An irrevocable life insurance trust (ILIT) may be an excellent solution

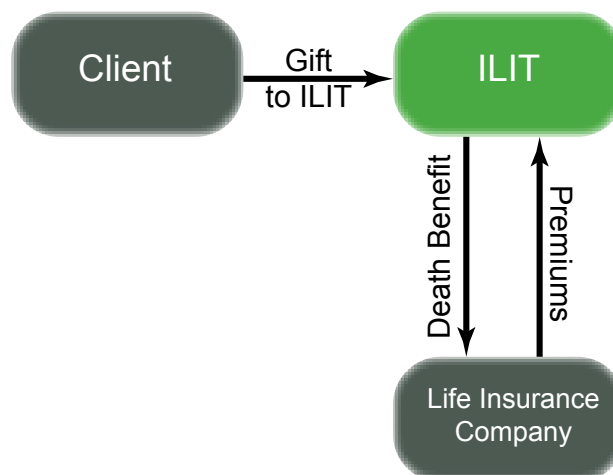
Affluent individuals are often concerned that a large portion of their wealth will be consumed by estate taxes, significantly reducing the amount ultimately transferred to their heirs. As a result, they are often looking for wealth transfer planning strategies that enable them to more efficiently transfer wealth to family members. In that context, life insurance can serve many purposes, including funding estate taxes and final expenses upon the death of an individual. If your clients want to remove assets from their estates, or provide survivor income or liquidity for their estates, an ILIT may be an excellent solution.

What is an ILIT?

An ILIT is an irrevocable trust used to remove the ownership and control of the life insurance policy from an estate. Like other irrevocable trusts, transfers to an ILIT are completed gifts in which the client relinquishes control and ownership of the assets transferred to the ILIT. Moreover, the client does not retain the right to modify, revoke or terminate the ILIT. However, assets owned by an ILIT are removed from the client's taxable estate.

How does it work?

1. Client creates an ILIT, the beneficiaries of which are typically the client's family members.
2. Client makes annual, scheduled or lump sum gifts of cash or other assets to the ILIT. Often, the amount of the gift made to the ILIT coincides with the life insurance premium.
3. ILIT purchases a life insurance policy on the client's life, retains ownership rights and designates the ILIT as the beneficiary of the policy.
4. Upon the client's death, the ILIT assets, including life insurance, will pass to the ILIT beneficiaries income and transfer tax free.



Advantages

- May enable a client to leverage his/her annual gift tax exclusion, lifetime gift tax exemption and generation skipping transfer tax exemption with the purchase of life insurance
- Provides estate liquidity for the client's heirs on an income and transfer tax-free basis
- May replace assets used to pay estate taxes or used to provide a charitable bequest
- Gives the grantor the opportunity to control the distribution of the death proceeds through the terms of the trust provisions in a manner consistent with his/ her overall estate objectives
- May protect ILIT assets from the creditors of the ILIT beneficiaries
- May reduce the size of the client's taxable estate and corresponding estate taxes
- May increase the net amount of wealth transferred to the client's heirs

Considerations

- Cost of creating and maintaining an ILIT
- Life insurance qualification generally requires medical and financial underwriting
- The desired life insurance policy premium may be higher than the client's available annual gift tax exclusion and/ or lifetime gift tax exemption
- Transfers to an ILIT are irrevocable and the client may not possess any incidents of ownership in the life insurance policy owned by the ILIT



340 Madison Avenue / 21st Floor / New York, NY 10173
T 212.687.2800 | F 212.687.2990 | www.nationalmadison.com

Securities offered through NFP Securities, Inc. and AXA Advisors, LLC (a subsidiary of AXA Financial) Broker/Dealers and Members FINRA/SIPC. National Madison Group, Inc. and NFP Securities, Inc. are affiliates and subsidiaries of National Financial Partners Corp.; none of them is affiliated with AXA Financial or any of its subsidiaries.

National Madison and NFP Securities, Inc. are not engaged in the practice of law and does not provide tax advice. You should consult with your own professional advisors. To ensure compliance with requirements imposed by the IRS, we inform you that, unless explicitly provided otherwise, any U.S. federal tax advice contained in this presentation is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.