

LIFE INSURANCE SOLVES PROBLEMS

LIFE INSURANCE

PROBLEM	SOLUTION
1 Funding large premiums with minimal gift tax expense	a) Non-equity split-dollar (second to die) b) IDIT sale of income producing asset c) AFR loans to ILIT d) Premium financing
2 Protection of personal liquid assets	Loan to ILIT to purchase high CSV product inside an ILIT
3 Protection of corporate liquid assets	Corporation enters into non-equity split-dollar agreement with ILIT using restricted collateral assignment
4 ILIT with outright distributions	(i) Consider 1035 exchange; (ii) sell policy from old ILIT to new ILIT
5 Second marriage with children from first marriage	ILIT for children; and revocable trust for surviving spouse
6 Young athlete/entertainer wants retirement income and liability/divorce protection	High CSV life insurance inside an ILIT and non-equity split-dollar agreement between self-settled trust and ILIT to fund premiums
7 Specified amount to children with balance to charity triggers estate taxes	(i) Revocable trust – leave estate tax exemption to children in lifetime trusts with balance to charity; (ii) ILIT to fund balance for children
8 Family business with one child in the business and one who is not	Equalize with life insurance inside an ILIT
9 Business succession planning with key employees	(i) Recapitalize company into voting/nonvoting shares; (ii) sell some nonvoting shares to IDIT for employees; (iii) create buy-sell funded with life insurance to fund remaining purchase at death

ESTATE PLANNING

PROBLEM	SOLUTION
10 Outright distributions to children	Lifetime trusts which provide creditor, divorce and estate tax protection
Mandatory income distributions to beneficiary (other than marital trust)	Discretionary distributions with beneficiary serving as trustee
11 Liability protection and discounting S Corporation discounting	Family Limited Partnership (FLP) or Family Limited Liability Co. (FLLC) Recapitalize into 10% voting and 90% non-voting
12 Opportunity shifting	IDIT for spouse coupled with an ILIT for the benefit of the selling spouse
13 Concern about effect of wealth on children and/or grandchildren	Dynasty trust with incentive provisions
14 Multiple real estate investments	Multiple LLCs to compartmentalize risk
15 Client is general partner of existing FLP	Sell GP interest to irrevocable trust; retain ability to fire trustee