

LIFE ADVANCED MARKETS

Irrevocable Life Insurance Trust (ILIT)

sample agreement for single life

An irrevocable life insurance trust ("ILIT") can be a tax-efficient way for a client to transfer wealth to their beneficiaries outside of their taxable estate.

An ILIT can also be used to effectively protect assets from a beneficiary's potential creditors and provide a structured approach to managing and eventually distributing the life insurance death benefit.

The following sample document can be shared with your client's attorney as an example to help them prepare an ILIT in situations where the policy insures only one life. It is intended for general information purposes only and should not be construed as guidance or as a substitute for professional legal, tax, or financial advice.

Setting up an ILIT typically requires the assistance of qualified legal, tax, and financial professionals to ensure compliance with tax laws and consistency with the client's estate planning goals. A trust is essentially a legal contract, and like all legal documents must be prepared by a qualified, licensed attorney.

Allianz Life Insurance Company of North America, its affiliated companies, and their representatives and employees do not provide tax or legal advice.

You should consult your own legal counsel to ensure that any agreements meet your specific needs and comply with applicable laws and regulations. The provision of this specimen document does not imply endorsement or approval of any specific terms or conditions contained within it. It is not adapted to the specific circumstances or objectives you may have.

This document is intended for informational purposes only. We assume no responsibility or liability for any errors or omissions in the content of this document, nor for any actions taken based on it.

Indexed universal life (IUL) insurance policies provide a death benefit that is generally paid income-tax-free to beneficiaries, and the potential to build tax-deferred accumulation value.

IUL requires qualification through health and financial underwriting.

Allianz Life Insurance Company of North America does not provide financial planning services.

Product and feature availability may vary by state and broker/dealer.

This content does not apply in the state of New York.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

Products are issued solely by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.1962 www.allianzlife.com

THE [NAME OF GRANTOR]
IRREVOCABLE LIFE INSURANCE
TRUST AGREEMENT

DECLARATION OF TRUST:

By this trust agreement dated _____, 20__, [NAME OF GRANTOR] ("Grantor") declares that GRANTOR has established the trust created by this instrument which shall be referred to as the [NAME OF GRANTOR] Irrevocable Life Insurance Trust under agreement dated _____, 20__, ("Trust") or by any other name as the trustee shall designate from time to time.

APPOINTMENT OF TRUSTEE:

Grantor hereby appoints [NAME OF TRUSTEE] ("Trustee") to act as trustee of the trust and the trustee hereby agrees to act as trustee of the trust.

TRANSFER OF ASSETS:

Grantor has transferred certain property, as identified and described on Schedule A attached to and made a part of this agreement, to the trustee contemporaneously with signing this instrument, the receipt of which property the trustee acknowledges. All property transferred to the trustee shall be administered and distributed as provided in this agreement.

ARTICLE 1 | IRREVOCABILITY AND NON-AMENDABLE

This instrument is not subject to revocation or amendment. However, grantor or any other person, other than grantor's spouse, shall have the right to make contributions from time to time to the trust. In no event shall grantor or grantor's estate have any reversionary or similar type interest in this trust or in the property held by the trust.

ARTICLE 2 | TRUST ADMINISTRATION DURING GRANTOR'S LIFETIME

The trustee shall hold and distribute the principal and income of the trust estate during grantor's lifetime as follows:

2.1 Withdrawal rights. In any calendar year during which one or more contributions are made to the trust, the following provisions shall apply:

2.1.1 Contributor's direction. The contributor may direct in writing and at or before the time the contribution is made that all or any part of the contribution either shall not be subject to any rights of withdrawal or shall be allocated for withdrawal right purposes to or among any one or more of grantor's spouse and grantor's descendants who are then living and are identified in the writing, and in the amounts or proportions, as the contributor shall specify. Any direction by a contributor shall be irrevocable once the contribution is made.

2.1.2 Allocation of withdrawal rights in the absence of direction. If no direction is made by the contributor, then the contribution shall be allocated as follows:

2.1.2.1 Spouse. The contribution shall be allocated to grantor's spouse if grantor's spouse is then living, but only to the extent that the allocation would not cause the aggregate contributions allocated to grantor's spouse from contributions made during any one calendar year to exceed \$5,000.

2.1.2.2 Children. Any contribution (or portion thereof) not allocated to grantor's spouse (or all contributions, if grantor's spouse is not then living) shall be allocated equally among grantor's children who are then living, but only to the extent that the allocation would not cause the aggregate contributions allocated to any child of grantor from contributions made during any one calendar year by any one contributor and the spouse of that contributor to exceed that child's annual exclusion limit for that year.

2.1.2.3 Other descendants. Any contribution (or portion thereof) not allocated to either grantor's spouse or any child of grantor (or all contributions, if neither grantor's spouse nor any child of grantor is then living) shall be allocated equally among grantor's descendants, other than grantor's children, who are then living, but only to the extent that the allocation would not cause the aggregate contributions allocated to any descendant from contributions made during any one calendar year by any one contributor and the spouse of that contributor to exceed the descendant's annual exclusion limit for that year.

2.1.3 Rules governing withdrawal rights. Each beneficiary may withdraw an amount from the principal of the trust equal to the amount of any contribution (or portion thereof) allocated to that beneficiary. The following provisions shall govern the rights of withdrawal:

2.1.3.1 When withdrawal right arises. Each right of withdrawal with respect to a particular contribution shall arise on the date that contribution is made to the trust.

2.1.3.2 Exercise of withdrawal rights. Any right of withdrawal may be exercised before or after it arises by delivery to the trustee of a written statement requesting that the trustee distribute all or a specified portion of the assets to which the beneficiary who exercises the right is or may become entitled for the calendar year in which the written request is made. A right of withdrawal is not deemed to have been exercised until the written request is actually received by a trustee.

2.1.3.3 Who may exercise withdrawal rights. A beneficiary who is an adult, Guardian acting on behalf of a beneficiary who is a minor (other than any contributor acting in that capacity) or a legally appointed guardian or conservator acting on behalf of a beneficiary (other than any contributor acting in that capacity) may exercise the beneficiary's rights of withdrawal.

2.1.3.4 Satisfaction of withdrawal rights. Exercised rights of withdrawal may be satisfied with cash or any other assets, including any contribution. Trust assets used to satisfy a right of withdrawal shall be valued as of the date or dates on which they are distributed. If there are insufficient assets of the trust to permit all beneficiaries who exercise their rights of withdrawal to satisfy the rights in full, the trust assets shall be distributed pro rata among the beneficiaries who exercise the rights.

2.1.3.5 Valuation of contributions subject to withdrawal rights. The amount of any contribution for withdrawal right purposes shall be the value of the contribution for federal gift tax purposes.

2.1.4 Lapse of withdrawal rights. Any rights of withdrawal of grantor's spouse shall lapse on the earlier of December 31 of the year in which the contribution is made to the trust, or 30 days after the date on which the contribution is made to the trust. On December 31 of each year, but not less than 30 days after the date on which the contribution is made to the trust, the then aggregate rights of withdrawal of each beneficiary other than grantor's spouse shall be reduced (but not below zero) by that beneficiary's General Power Amount for that year. Unless so reduced, all rights of withdrawal held by a beneficiary other than grantor's spouse shall be cumulative and continue from year to year. Despite the above provisions, when a beneficiary dies, all unexercised rights of withdrawal held by the beneficiary shall lapse immediately.

2.1.5 Definitions. For purposes of this instrument:

2.1.5.1 Contribution. “Contribution” means any direct or indirect transfer constituting a gift to the trust for federal gift tax purposes (without regard to section 2503(b) of the Internal Revenue Code) and includes the payment by any person or entity directly to the insurer of any premium on a life insurance policy owned by the trust or of interest accrued on any loan outstanding against the policy.

2.1.5.2 Annual exclusion limit. A beneficiary’s “annual exclusion limit” for a particular calendar year means the annual exclusion amount, if the contributor whose contribution is being allocated is unmarried on the date the contributor first made a contribution to the trust during that calendar year; or twice the annual exclusion amount, if the contributor whose contribution is being allocated is married on the date the contributor first made a contribution to the trust during that calendar year.

2.1.5.3 Annual exclusion amount. “Annual exclusion amount” means the maximum amount of gifts to any one donee during one calendar year that can be excluded, under section 2503(b) of the Internal Revenue Code, from the total amount of gifts that a donor is considered to have made in that calendar year for federal gift tax purposes.

2.1.5.4 General power amount. A beneficiary’s “General power amount” for a particular calendar year means the maximum amount with respect to which a lapse of any right of withdrawal for that calendar year would not be considered a release by that person of a general power of appointment for federal gift or estate tax purposes under sections 2041 and 2514 of the Internal Revenue Code, after taking account of the lapse of all other general powers of appointment (including rights of withdrawal) possessed by that person for that calendar year. If general powers of appointment (including rights of withdrawal), the lapses of which are to any extent measured by a person’s general power amount, are conferred on the same person under this instrument and one or more other trust agreements and those powers would otherwise appear to lapse in whole or in part at the same time, then, for purposes of taking other lapses into account under this instrument, the lapses under all trust agreements shall be deemed to occur in the same order as the dates of execution of the trust agreements under which those powers were conferred, beginning with the earliest. (The maximum general power amount is now the larger of \$5,000 or five percent of the aggregate value of the assets out of which, or the proceeds of which, the exercise of the lapsed powers could be satisfied. If this statutory formula or amount is changed, the new statutory formula or amount shall be applicable to this definition.)

2.1.5.1 Income. If grantor’s spouse is living, the trustee may distribute to grantor’s spouse any portion of the income (including all or none) as the trustee deems advisable to provide for grantor’s spouse’s health, education, support, or maintenance. If grantor’s spouse is not then living, the trustee may distribute the income (including all or none) to any one or more of grantor’s descendants who are then living, in any amounts and proportions as the trustee deems advisable, to provide for the recipient’s health, education, support, or maintenance.

2.2 Principal for health, education, support, or maintenance. The trustee may distribute to grantor’s spouse any portion of the principal (including all or none) as the trustee deems advisable to provide for grantor’s spouse’s health, education, support, or maintenance.

2.7 No consideration of outside resources is necessary for trustee’s discretionary distribution decisions. In making discretionary distribution decisions, the trustee is not required to inquire or take into account any income, assets, or other resources which may be readily available to or for the benefit of the beneficiary.

2.8 Priority of spouse. The trust shall be administered for the primary benefit of grantor’s spouse, and the trustee may distribute principal to or for the benefit of grantor’s spouse without regard for the interests of the remainder beneficiaries of the trust.

ARTICLE 3 | ALLOCATION OF REMAINING TRUST ASSETS

The trust assets, including all property that becomes distributable to the trustee by reason of grantor's death, not effectively distributed under the preceding provisions of this instrument, shall be allocated and distributed as follows:

3.1 Provision if spouse survives. If grantor's spouse survives me, the remaining trust assets shall be allocated between the marital share and the family share as follows:

3.1.1 Marital share. The trustee shall allocate to the marital share a fractional share of the residue of the trust calculated as follows: The numerator of the fraction shall be the value, as finally determined for federal or state estate tax purposes, of those trust assets includible in grantor's gross estate for federal or state estate tax purposes. The denominator of the fraction shall be of the value of the residue of the trust, as finally determined for federal or state estate tax purposes. The marital share shall be entitled to a pro rata share of the income earned on the residue of the trust from the date of grantor's death, including a share of income earned on assets used to discharge liabilities.

3.1.2 Family share. The balance of the remaining trust assets shall be allocated to the family share.

3.1.3 Satisfying gift to marital share. The trustee shall have complete authority and discretion to satisfy the fractional gift to the marital share in cash or in kind, or partly in cash and partly in kind, or in undivided interests in property. To the extent that there are insufficient assets qualifying for the federal or state estate tax marital deduction to fully fund the marital share, the amount of the funding to the marital share shall be reduced accordingly, and grantor acknowledges that the amount of funding may be affected by actions of the trustee and the personal representative of grantor's probate estate in making certain tax elections. The fraction, once calculated as set forth above, shall be fixed and shall not vary with changes in the value of the property subsequent to the valuation date used for federal or state estate tax purposes. Since the fractional gift is not intended to be a gift of a specified dollar amount or pecuniary in nature, the trustee shall apply the fraction to the assets of the trust at their actual value on the effective date or dates of allocation so that the actual value of the fractional share of the trust assets resulting from the application of the fraction will reflect fluctuations in the value of the trust assets. Allocations of assets by the trustee shall be limited as set forth below:

3.1.3.1 Marital deduction. Only assets qualifying for the marital deduction shall be allocated to the marital share.

3.1.3.2 Tax considerations. Grantor requests that the trustees always consider the tax consequences of allocating or distributing to the marital share any policy of insurance that insures the life of grantor's spouse, property subject to the foreign death credit, property on which a tax credit is available, or property that is income in respect of a decedent under the Internal Revenue Code.

3.1.4 Marital trust. The marital share shall be allocated to the Marital Trust.

3.1.5 Family trust. The family share shall be allocated to the Family Trust.

3.2 Provision If spouse does not survive. If grantor's spouse does not survive grantor, the remaining trust assets shall be allocated as follows:

3.2.1 Single trust for children. If any child of grantor who survives grantor is under thirty (30) years of age, the remaining trust assets shall be allocated to the Single Trust for Children.

3.2.2 Provision for descendants. If no child of grantor who survives grantor is under age thirty (30), the remaining trust assets shall be allocated to grantor's descendants who survive me, per stirpes. Each share so allocated to a descendant of grantor who has attained the age of thirty (30) shall be distributed outright to that descendant. Each share so allocated to a descendant of grantor who has not attained the age of thirty (30) shall be held by the trustee as a separate trust named for that descendant.

3.3 Provision for others. If grantor's spouse does not survive grantor and no descendant of grantor survives grantor, or if at any other time there are trust assets for which no beneficiary is specified under this instrument, the trust assets shall be distributed in equal shares to the following individuals who are then living, or to the following charities. The share for any individual who is not then living shall lapse, thereby ratably increasing the other shares: [PROVIDE NAMES AND BIRTHDATES OF OTHER INDIVIDUALS AND NAMES OF CHARITIES].

ARTICLE 4 | TRUSTS

The separate trusts created under this instrument upon and after grantor's death shall be administered and distributed as provided in this Article:

4.1 The marital trust. The Marital Trust shall be administered and distributed as follows:

4.1.1 Income. The trustee shall, from the date of grantor's death, distribute the income to grantor's spouse, in annual or more frequent installments.

4.1.2 Principal for health, education, support, or maintenance. The trustee may distribute to grantor's spouse any portion of the principal, as the trustee deems advisable, to provide for grantor's spouse's health, education, support, or maintenance.

4.1.3 No consideration of outside resources is necessary for trustee's discretionary distribution decisions. In making discretionary distribution decisions, the trustee is not required to inquire or take into account any income, assets, or other resources which may be readily available to or for the benefit of the beneficiary.

4.1.4 Priority of spouse. The trust shall be administered for the primary benefit of grantor's spouse, and the trustee may distribute principal to or for the benefit of grantor's spouse without regard for the interests of the remainder beneficiaries of the trust.

4.1.5 Distribution at death. Upon grantor's spouse's death:

4.1.5.1 Payment of taxes. Unless grantor's spouse directs otherwise by Will (whether or not probated) or revocable trust, the trustee shall pay from the remaining trust principal that portion of the estate taxes occasioned by grantor's spouse's death equal to the excess of (a) the total of all the taxes so payable over (b) the total of all taxes that would have been so payable if the assets of this trust had not been taxable in grantor's spouse's estate. Taxes shall not be apportioned to or recovered from any person. The trustee shall pay expenses incurred in determining and paying the taxes.

4.1.5.2 Distribution of balance. Any remaining assets of the Marital Trust, including any accrued income, shall be allocated and distributed in the manner provided under Article 4 as if grantor had survived grantor's spouse and died immediately after grantor's spouse's death.

4.1.6 Productive property. Notwithstanding any other provision of this instrument, grantor's spouse may require the trustee to act within a reasonable time to sell unproductive property in the Marital Trust or to convert it into productive property.

4.2 The family trust. The family trust shall be administered and distributed as follows:

4.2.1 Income for health, education, support, or maintenance. The trustee may distribute to grantor's spouse any portion of the income (including all or none) as the trustee deems advisable to provide for grantor's spouse's health, education, support, or maintenance.

4.2.2 Principal for health, education, support, or maintenance. The trustee may distribute to grantor's spouse any portion of the principal (including all or none) as the trustee deems advisable to provide for grantor's spouse's health, education, support, or maintenance.

4.2.3 Distributions to descendants for health, education, support, or maintenance. The trustee also may distribute to grantor's descendants any portion of the income or principal (including all or none) as the trustee deems advisable for the health, education, support, or maintenance of the beneficiaries.

4.2.4 No consideration of outside resources is necessary for trustee's discretionary distribution decisions. In making discretionary distribution decisions, the trustee is not required to inquire or take into account any income, assets, or other resources which may be readily available to or for the benefit of the beneficiary.

4.2.5 Priority of spouse. The trust shall be administered for the primary benefit of grantor's spouse, and the trustee may distribute principal to or for the benefit of grantor's spouse without regard for the interests of the remainder beneficiaries of the trust.

4.2.6 Distribution at death. Upon grantor's spouse's death, any remaining assets of the Family Trust, including any accrued income, shall be allocated and distributed in the manner provided under Article 4 if grantor had survived grantor's spouse and died immediately after grantor's spouse's death.

4.3 The single trust for children. The Single Trust for Children shall be administered and distributed as follows:

4.3.1 Distributions for health, education, support, or maintenance. Until grantor's youngest child attains the age of thirty (30), the trustee may distribute to any of grantor's living children and any descendant of a deceased child of grantor any portion of the income or principal as the trustee deems advisable for the recipient's health, education, support, or maintenance. Subject to these distribution standards, the trustee may determine that no distribution shall be made to one or more of the beneficiaries.

4.3.2 Division of trust. On the date when no living child of grantor is under age thirty (30), the trustee shall allocate the remaining assets to grantor's then living descendants, per stirpes. In making the division, the trustee shall not take into account any discretionary distributions previously made under this Article. Each share so allocated to a child or other descendant of grantor who has attained the age of thirty (30) shall be distributed outright to that child or other descendant. Each share so allocated to a child or other descendant who has not attained the age of thirty (30) shall be held as a separate trust for that child or other descendant, to be administered and distributed as provided in this instrument.

4.4 Separate trusts for children and other descendants. Each separate trust named for a child or more remote descendant of grantor shall be administered and distributed as follows:

4.4.1 Income for health, education, support, or maintenance. The trustee may distribute to the beneficiary all or any portion of the income of the trust as the trustee deems advisable for the beneficiary's health, education, support, or maintenance, except that upon and after the date the beneficiary attains age thirty (30) the trustee shall distribute all of the income to the beneficiary. Undistributed income shall be added to principal.

4.4.2 Principal for health, education, support, or maintenance. The trustee may distribute to the beneficiary so much of the principal of the trust as the trustee deems advisable for the beneficiary's health, education, support, or maintenance, including graduate or professional study.

4.4.3 Principal. The independent trustee may distribute any part, all or none of the principal to or for the benefit of the beneficiary as the trustee deems advisable.

4.4.4 Termination of trust. When the beneficiary attains age thirty (30), the remaining principal and any accrued or undistributed income of the trust shall be distributed to the beneficiary and the trust shall terminate.

4.4.5 Distribution at death. If the beneficiary dies before the termination of the trust, the trustee shall distribute the remaining assets of the trust, including any accrued income, to the beneficiary's descendants who survive the beneficiary, per stirpes, or if none, to the descendants who survive the beneficiary, per stirpes, of the nearest lineal ancestor of the beneficiary who is a descendant of grantor, or if none, to grantor's other descendants who survive the beneficiary, per stirpes, or if none, in the manner provided under Article 4 if grantor survived the beneficiary and died immediately after the beneficiary's death. Each share so allocated to a child or other descendant of grantor who has attained the age of thirty (30) shall be distributed outright to that child or other descendant. Each share so allocated to a child or other descendant of grantor who has not attained the age of thirty (30) shall be held as a separate trust named for that child or other descendant, to be administered and distributed as provided in this Article.

ARTICLE 5 | TRUSTEE SELECTION

Trustees shall be appointed, removed and replaced as follows:

5.1 Appointment of trustees. During grantor's lifetime, grantor's spouse may appoint additional trustees other than me, including, if grantor's spouse is not then serving as a trustee, grantor's spouse. If grantor's spouse is unable to appoint trustees, grantor's adult children, by majority vote, may appoint trustees other than me, including a descendant of grantor.

5.2 Appointment of trustees in the event of grantor's death. Upon grantor's death:

5.2.1 Appointment of trustee. grantor appoints [NAME OF TRUSTEE] as trustee of all assets and trusts established under this instrument. If [NAME OF TRUSTEE] is unable or willing to serve as trustee, then grantor's spouse, or if grantor's spouse deceased, or is otherwise unable or unwilling grantor's adult children by majority vote shall have the power to appoint any additional or successor trustee.

5.3 Powers of co-trustees. Each co-trustee or successor trustee appointed under this instrument shall have all of the rights, powers, and duties conferred upon the trustees under this instrument except as may be limited by a written instrument of appointment. The power to appoint may be exercised to provide that a co-trustee or successor trustee shall have only certain of the rights, powers, and duties otherwise conferred upon the trustees under this instrument.

5.4 Singular includes plural. References in the singular to a trustee include all trustees empowered to act with respect to a trust.

ARTICLE 6 | FIDUCIARY PROVISIONS

The trustee may exercise the powers given to the trustee during the term of any trust, and during the time after the termination of any trust as is reasonably necessary to distribute the trust assets.

6.1 Dispositive powers. Grantor gives to the trustee the following dispositive powers:

6.1.1 Disposition of certain assets. If any assets of any trust become distributable to a person who is under the age of thirty (30), the assets, other than assets which are required to be held in trust until a later age pursuant to the preceding provisions of this instrument, in the sole discretion of the trustee, may be (a) distributed to the person, or (b) distributed to a Custodian for the person under the Uniform Transfers to Minors Act or similar law, or (c) invested for the person in a qualified Tuition Program under section 529 of the Internal Revenue Code, or (d) retained in a separate trust for the person's benefit if the person has not yet attained age thirty (30). Any assets retained in trust shall be administered and distributed as follows:

6.1.1.1 Discretionary distributions. The trustee shall pay to the person the portion of the income and principal as the trustee deems advisable for the person's health, education, support, or maintenance.

6.1.1.2 Mandatory distribution. When the person attains age stated above, the trustee shall distribute the remaining trust assets to the person.

6.1.1.3 Distribution at death. If the person dies before receiving final distribution, the trustee shall distribute the remaining trust assets to the person's estate.

6.1.2 Merger of trusts. The trustee may merge the assets of any trust with those of any other trust, by whomever created, if the result does not impair the rights of any beneficiary or adversely affect achievement of the purposes of the trust, and if there is disparity in the maximum duration of the merged trusts, the shortest maximum duration shall control.

6.1.3 Discretionary termination. The Independent trustee may, without further responsibility and without prior or subsequent court approval, terminate any trust at any time after determining that:

6.1.3.1 Uneconomical. The trust is no longer economical to administer; or

6.1.3.2 Inadvisability. The trust is otherwise inadvisable to administer as a trust; or

6.1.3.3 Best interests. Termination is in the best interest of grantor's spouse, if grantor's spouse is then living, or in the best interests of the beneficiary for whom the trust was created if grantor's spouse is not then living, or if the trust has no beneficiary for whom the trust was created, in the best interests of the beneficiaries of the trust who are grantor's descendants whose generation assignment is the closest to grantor's own; provided that the Independent trustee shall not terminate a trust if termination would result in the property being made available to creditors who have a current claim against the beneficiary or to any governmental agency that has a claim (including a potential claim for reimbursement against the beneficiary) or would prevent an existing bequest from qualifying (or continuing to qualify) for the marital or charitable deduction, or would cause the revocation of an S corporation election, or would impair a beneficiary's unexercised right of withdrawal that has not yet lapsed, or would impair special use valuation under Internal Revenue Code section 2032A or any similar tax benefits under any applicable state law.

6.1.4 Distribution on termination. The Independent trustee who terminates a trust under the preceding Paragraph shall distribute the trust property, including any undistributed net income, in the following order of priority: to grantor's spouse, if then a beneficiary of the trust; if grantor's spouse is not then a beneficiary of the trust, to the beneficiary for whom the trust share was created; if the trust has no beneficiary for whom the trust share was created, then to grantor's descendants who are then eligible to receive distributions from the trust, per stirpes; and if no descendant of grantor is then eligible to receive a distribution, then to grantor's descendants, per stirpes.

6.1.4.1 Termination of interest. Upon the termination the rights of all other persons who might otherwise have an interest in the trust shall cease.

6.1.4.2 Indemnification. The Independent trustee may condition termination of any trust upon receiving indemnification from the beneficiaries who are intended to receive a terminating distribution against claims from other beneficiaries whose interests are eliminated by the termination of the trust.

6.1.5 Outright distribution. If income or principal of any trust is, by the terms of this instrument, to become part of any trust or trust share and would be immediately distributable, the income or principal may be distributed by the trustee in exactly the same manner as provided in the trust or trust share without requiring the trust to be established.

6.2 Administrative powers. In addition to the powers conferred upon the trustee under applicable law generally, grantor gives to each trustee all of the powers enumerated in Minnesota Statutes sections 501C.0815 and 501C.0816 and any successor provisions of Minnesota law and, to the extent not authorized by the foregoing, the following administrative powers:

6.2.1 Retention. To retain any assets, however acquired, for as long as the trustee deems advisable, even if their retention results in a lack of diversification.

6.2.2 Sale, lease, mortgage, pledge. To sell, exchange, mortgage, lease, convey, encumber, pledge, or otherwise distribute any real, personal or other property for any period, upon any terms and conditions, to any person, entity, beneficiary, or agent, or to a trust or estate of which any trustee is also a fiduciary, including grantor's estate.

6.2.3 Transaction with probate estate and other trusts. To purchase as an investment of the trust estate any asset of grantor's probate estate or grantor's spouse's probate estate or which belongs to any other trust created by grantor or grantor's spouse; or to lend money to grantor's estate or grantor's spouse's estate or to any other trust without personal liability of the fiduciaries thereof for repayment of the loans, the investments or loans to be made at the prices, upon the security, if any, and upon the terms as may be satisfactory to the trustee. Any trustee may make any investments or loans even if a trustee is also a personal representative of grantor's estate or grantor's spouse's estate or a trustee of the other trust.

6.2.4 Investment. To invest and reinvest in any assets the trustee deems advisable, without limitation by any statute, rule of law, or regulation limiting the investment of funds by corporate or individual fiduciaries in or to certain kinds of investments, requiring diversification or prohibiting fiduciaries from delegating investment functions or commingling assets.

6.2.5 Titling. To hold securities or other assets in their own names, with or without disclosure of fiduciary capacity, or in the name of a nominee, or in bearer form.

6.2.6 Deposit. To deposit cash in the commercial or savings departments of any corporate fiduciary or of any other bank or trust company or in any other depository.

6.2.7 Borrowing. To borrow money for any purpose they deem advisable from any source.

6.2.8 Allocation of income. To allocate between principal and income, in their discretion, all receipts and disbursements, in any manner that will not result in the loss of any marital deduction otherwise available to grantor's estate. The trustee shall have discretion to determine whether expenses of administering the trust are "transmission" expenses or "management" expenses under applicable law, and to allocate the expenses to the beneficiary or trust share as the trustee deems appropriate, and to pay the same from income or principal in a manner consistent with obtaining any marital deduction available to grantor's estate. The trustee may, but need not, create reserves out of income for depreciation, obsolescence, amortization, or for depletion of mineral or timber properties.

6.2.9 Division. To divide the trust at any time into one or more separate shares, equal or unequal, as the trustee deems advisable, to determine values, to distribute like or unlike assets to different beneficiaries or trusts and to make distributions in cash or in kind, in divided or undivided interests, provided that any assets with respect to which a death tax is paid to a foreign country or subdivision thereof shall be allocated to the family share to the extent possible.

6.2.10 Application of distributions. To make all payments of income or principal directly to the beneficiary or for the beneficiary's benefit. In the case of a beneficiary who is a minor or under other legal disability, all payments and all distributions of tangible personal property may be made directly to the beneficiary despite the disability.

6.2.11 Claims. To settle, contest, compromise, submit to arbitration or litigate claims in favor of or against the trust and all tax matters.

6.2.12 Tax elections. To make any tax elections without reimbursement or adjustment between principal and income or in favor of any beneficiary, even if the election directly affects the value of any beneficiary's share.

6.2.13 Agents. To employ agents, lawyers, investment counsel, accountants, and others, even if they are associated with a trustee, to delegate both ministerial and discretionary powers and duties to those persons with liability only for reasonable care in their selection, to place assets in an account with a trust department of a bank which the trustee selects, under any agency or other type of agreement, to rely on information and advice furnished by them without duty of independent investigations, and to pay them reasonable compensation from the trust.

6.2.14 Business entities. To exercise every other power not specifically granted by this instrument that may be necessary to enable them to create, continue, operate, expand, and change the form of any individual proprietorship, partnership, joint venture, corporation, limited liability company, or other business.

6.2.15 Continuation of business enterprise. To continue in the same form any unincorporated business or venture in which grantor was engaged at the time of grantor's death, for any period as the trustee deems advisable, or to organize the business as a partnership, joint venture, corporation, or limited liability company and continue its operation in that form whether or not any probable distributee of the business objects to the retention, continuation, or organization in the trust.

6.2.16 Additions. To accept additions to the trust from any source except grantor's spouse.

6.2.17 Disclaimer. To disclaim all or part of any interest in property to which the trust would otherwise be entitled.

6.2.18 Administrative acts. To execute and deliver all instruments that will accomplish or facilitate the exercise of the above powers and duties and to perform all other acts necessary or advisable to administer the trust.

6.3 Additional provisions. The following provisions apply to the exercise of all fiduciary functions under this instrument:

6.3.1 Waiver of bonds. No bond or other indemnity shall be required of any trustee nominated or appointed under this instrument.

6.3.2 Waiver of court jurisdiction. grantor expressly waives any requirement that any trust be submitted to the jurisdiction of any court, or that the trustee's actions be authorized or accounts be allowed by any court. This waiver shall not prevent any trustee or beneficiary from requesting any of those procedures.

6.3.3 Trustee succession, appointment, and removal procedures. The following provisions shall apply to the appointment, removal, and succession of a trustee:

6.3.3.1 Exercise of power to appoint. Any power to appoint a co-trustee or successor trustee under this instrument shall be exercised by written instrument delivered to the person or entity appointed.

6.3.3.2 Removal of trustee. To effect the removal of a trustee, the person entitled to remove the trustee shall either deliver to the trustee a written instrument stating that the trustee has been removed, or mail the instrument to the trustee's last known address by registered or certified mail, return receipt requested.

6.3.3.3 Acceptance of trusteeship. The appointment of any person or entity eligible to act as a co-trustee or successor trustee shall become effective only if the appointee's written acceptance of the appointment and trusteeship is delivered to the then acting trustee, or, if no trustee is then acting, to (a) the person or persons who exercised the power to make the appointment or their legal representative, or (b) if the appointee was named in this instrument, to the adult beneficiaries then eligible to receive income or principal from the trust or their legal representative. A successor trustee shall, upon acceptance, succeed to the preceding trustee's title to the trust assets.

6.3.4 Resignation right. Any trustee may resign at any time by delivering a written resignation to those entitled to appoint a trustee. The resignation shall be effective (a) upon delivery of the resignation to a co-trustee or (b) if there is no co-trustee, upon acceptance of appointment of a successor trustee. After the resignation becomes effective, the trustee shall not be liable for the acts of any successor trustee.

6.3.5 Custody of assets. If a corporate trustee is acting, it shall have custody of all assets, handle receipts and disbursements, and prepare accountings.

6.3.6 Approval of trustee's accounts. The trustee (or the personal representative of any deceased trustee) may render accounts to the persons who are currently eligible to receive distributions. The approval of these accounts or the failure to object to the accounts within 90 days after receipt of the accounts by those persons (or by those authorized to act on behalf of any person), in writings delivered to any trustee, shall constitute a valid and effective release of the trustee with respect to all transactions disclosed by the accounts, and shall be binding and conclusive as to all persons. Nothing contained in this Paragraph shall give any person the power or right to enlarge or shift the beneficial interest of any beneficiary of the trust.

6.3.7 Majority vote and delegation. If more than one trustee is authorized to exercise a power, the power shall be exercisable by a majority of the trustees authorized to act. A non-consenting trustee who has acted in good faith shall not be liable for the acts of the majority. grantor authorizes any trustee to delegate for any period of time to any other trustee authorized to exercise the power, the power to act on behalf of the delegating trustee.

6.3.8 Change of trust situs. The trustee may transfer the situs of the administration of any trust from Minnesota to another jurisdiction. In addition, the trustee may, but shall not be required to, elect to have the law of the other jurisdiction be the governing law of this instrument.

6.3.9 Limitations on discretion of beneficiary acting as trustee. Despite any other provision of this instrument to the contrary, no beneficiary who is also a trustee may participate, as a trustee, in any discretionary decision to withhold or distribute income or principal to the beneficiary, and no trustee may participate, as a trustee, in any discretionary decision to distribute income or principal in a manner that would satisfy a legal obligation of that trustee; except that a beneficiary may participate, as a trustee, in all discretionary decisions to withhold or distribute income or principal for the beneficiary's benefit to the extent those distributions are limited to distributions for the beneficiary's health, education, support, or maintenance.

ARTICLE 7 | GENERAL GOVERNING PROVISIONS

In applying the provisions of this trust instrument, the following shall govern:

7.1 Definitions. The following words and phrases have the following meanings:

7.1.1 Child. "Child" means a descendant of the first generation.

7.1.2 Children. Grantor's children's names and dates of birth are: [CHILD NAME], born [DATE OF BIRTH], and [CHILD NAME], born [DATE OF BIRTH]. The trustee may accept these dates as conclusive in making any determination for which they are pertinent. All references to "grantor's children" shall include grantor's children as of the date of this instrument, and any children of grantor who are born or adopted after the date of this instrument.

7.1.3 Conservator. "Conservator" means a person or entity who is appointed by a court to manage the estate of a protected person.

7.1.4 Corporate trustee. "Corporate trustee" means a trust company or national or state banking institution having trust or fiduciary powers that qualifies to serve as an Independent trustee.

7.1.5 Descendant. A reference to an individual's "descendants" means all of the individual's lineal descendants of all generations, with the relationship of parent and child at each generation determined pursuant to the [NAME OF STATE] intestacy laws in effect at the time the determination is to be made.

7.1.6 Estate tax. "Estate tax" means any estate, transfer, or other death tax that becomes due by reason of grantor's death (including any interest and penalties imposed with respect thereto), but excluding generation-skipping transfer tax, and also excluding any additional estate tax imposed by Internal Revenue Code section 2032A(c) or Minnesota Statutes section 291.03, subdivision 11 (including any interest and penalties imposed with respect thereto).

7.1.7 Guardian. "Guardian" means a person who has qualified as a guardian of a minor or incapacitated person pursuant to testamentary or court appointment, but excludes one who is a guardian ad litem.

7.1.8 Independent trustee. "Independent trustee" means any trustee other than (a) a transferor of property to the trust, including a person whose qualified disclaimer resulted in property passing to the trust; or (b) a current beneficiary of the trust who is eligible to receive income or principal pursuant to the terms of the trust; or (c) a person who has a legal obligation to support any person described in (b) above.

7.1.9 Internal Revenue Code. References to the "Internal Revenue Code" shall be to the Internal Revenue Code of 1986, as amended, and references to a particular section of the Internal Revenue Code shall incorporate any amendments and successor provisions.

7.1.10 Per stirpes. "Per stirpes" means in equal shares among living children of the person whose descendants are referred to and the descendants (taken collectively) of each deceased child of the person, with the deceased child's descendants taking by right of representation the share of the deceased child.

7.1.11 Related or subordinate party. "Related or subordinate party" shall have the same meaning as prescribed in Internal Revenue Code section 672(c).

7.1.12 Spouse. All references in this instrument to "grantor's spouse" are only to [NAME OF GRANTOR'S SPOUSE].

7.1.13 Survivorship. "Surviving," with reference to grantor's spouse, means that if grantor's spouse and grantor die under circumstances that it cannot be established by sufficient evidence that they died other than simultaneously or if grantor's spouse did survive grantor but died within 120 hours after grantor's death, grantor's spouse shall be deemed not to have survived grantor. All references to any other person's surviving grantor means that if the person dies within 120 hours after grantor's death, the person shall be deemed not to have survived grantor. A person in gestation at the time of an event who is later born alive and survives for 120 hours is "living" or "surviving" at the time of the event.

7.1.14 Trustee. "Trustee" means an original or successor trustee of any trust whether an individual or a corporation.

7.1.15 Trustee incapacity. If any individual trustee other than the grantor becomes incapacitated and has not resigned, any other trustee of the trust (or if none, the party designated to succeed the incapacitated trustee), may sign a written declaration of incapacity of the allegedly incapacitated trustee and deliver it to the trustee. If the trustee fails to object to the declaration of incapacity within 14 days of receipt of the declaration of incapacity, the trustee will be deemed to have resigned as trustee. If the trustee objects to the declaration of incapacity within 14 days in a writing delivered to the person declaring the trustee to be incapacitated, then the trustee must agree to cooperate with a competency evaluation, including signing and delivering within the stated 14 days the necessary medical releases needed to obtain the written opinion of the trustee's physician or if none, of a physician selected by the party signing the written declaration of incapacity. Expenses incurred in connection with the medical examination shall be at the expense of the trust. If the physician's opinion is that the trustee is incapacitated, the trustee shall be deemed to have resigned. If the trustee fails to cooperate promptly and fully with the examination and authorization requirements, the trustee shall be deemed to have resigned, effective as of the date of the declaration of incapacity. In determining whether the trustee is incapacitated under this Paragraph, the person or physician making this determination shall take into account whether the trustee is unable to manage property because of an impairment in the trustee's ability to receive and evaluate information or make decisions. The previous sentence does not override the standard of care otherwise required of a trustee under applicable law.

7.2 Termination of marriage. If grantor's marriage to grantor's spouse is terminated other than by reason of death at any time after the date of execution of this instrument, grantor's spouse's death for all purposes of this instrument shall be deemed to have occurred on the date of the termination. In that event, the appointment of grantor's spouse as trustee also shall terminate.

7.3 Tax effects. This instrument shall in all respects be construed in a manner that (a) all contributions shall be capable of qualifying for the federal gift tax annual exclusion to the extent the contributions are allocated for purposes of withdrawal rights; and (b) no trust principal shall be includible for death tax purposes in the estate of any contributor or of any trustee (except to the extent that (i) grantor's spouse is a trustee of the Marital Trust and an election is made to qualify any part of that trust for the marital deduction in grantor's estate, or (ii) any trustee who is a beneficiary possesses a right of withdrawal at that beneficiary's death). Any provision of this instrument incapable of being so construed or applied shall be inapplicable.

7.4 Rules of construction.

7.4.1 Governing law. Except as altered by this instrument, and except as provided in this instrument regarding a change in the situs of administration of each trust, the law of [NAME OF STATE] shall govern the meaning of this instrument and the validity, legal effect, and administration of each trust. Except as otherwise provided, all references to applicable law and [NAME OF STATE] Statutes mean those in force on the date of this instrument and shall incorporate any amendments and successor provisions.

7.4.2 Marital deduction. All provisions of this instrument shall be construed and applied so that the marital share qualifies for the federal or state estate tax marital deduction, and any provision of this instrument incapable of being so construed or applied shall not apply to the marital share.

7.4.3 Captions. Captions are for convenience only and are not intended to alter any of the provisions of this instrument.

7.4.4 Gender and number. Where appropriate, the masculine includes the feminine, the singular includes the plural, and vice versa.

7.4.5 Writing. The requirement that a person act in "writing" requires a dated written document signed by the person.

7.5 Protective provisions.

7.5.1 Intentional omissions. Grantor has intentionally limited gifts to grantor's descendants to those provided in this instrument. Any omission is intentional and not occasioned by accident or mistake.

7.5.2 Insurance or other death benefits. If any policy of insurance on the life of any person or any annuity contract, retirement plan, or other death benefit becomes a trust asset, the following provisions shall apply:

7.5.2.1 Incidents of insurance ownership. Any and all incidents of ownership in any life insurance policy shall be vested solely in the trustee other than the insured, and the insured person shall possess none of the incidents of ownership therein either individually or as a trustee. If the sole trustee acting is the insured person, the trustee shall have the duty to appoint an individual or corporate trustee whose sole responsibility may be to possess the incidents of ownership.

7.5.2.2 Powers. The trustee (except as may be limited by other provisions of this instrument) shall possess all rights, options, and other incidents of ownership respecting any policies of insurance, annuities, retirement plans or other death benefits that are assets of the trust, including, but not limited to, the right to surrender the assets for cash; to obtain loans on the assets; to receive or apply dividends or distributions from the assets; to assign or pledge the assets; to select optional modes of settlement on the assets; to enter into split dollar or other premium sharing arrangements with any appropriate corporation or other entity; to convert any policy, contract or benefit to any other form of policy, contract or benefit; to designate the trustee as beneficiary of any policy, contract or benefit; and to exercise in any manner all options relating to the assets (including any option to reduce the premiums and insurance coverage, to use assets of the policy to pay premiums, to purchase reduced paid-up insurance, to purchase additional insurance coverage or to surrender the policy). With respect to any group life insurance coverage that grantor assigns to the trustee, grantor also now assigns to the trustee all grantor's contractual rights as an employee to be provided group or individual life insurance coverage, specifically including, but without limiting the generality hereof, all future increases in the amount of the coverage and all new or substituted coverage resulting from a change in life insurance carriers or otherwise.

7.5.2.3 Premium payments. The trustee shall pay from the net income of the trust all premiums on insurance policies that are assets of the trust to the extent that the premiums are not paid by me, by any other contributor to the trust, by any employer or from other sources. The net income distributable to any beneficiary under this instrument shall be the net income remaining after payment of those premiums. The trustee may also pay from principal all premiums on insurance policies that are assets of the trust to the extent that the premiums are not paid from the net income of the trust or from other sources.

7.5.2.4 Proceeds. The receipt of any trustee covering the proceeds of any insurance or other death benefit payable to the trustee under this instrument shall fully discharge the insurer or other payor, and the insurer or payor shall not be responsible for the application or disposition of the proceeds by the trustee.

7.5.2.5 Limitations on duties of trustee.

7.5.2.5.1 Retention of policy. If grantor has contributed any policy of life insurance to the trust, the trustee may retain the policy without any liability for failing to exercise any options under the policy (including any option to reduce the premiums and insurance coverage, to use assets of the policy to pay premiums, to purchase reduced paid-up insurance, to purchase additional insurance coverage, or to surrender the policy).

7.5.2.5.2 Recommendation of agent. If the trustee purchases a policy of life insurance during grantor's lifetime, the trustee may rely on the recommendation of grantor's insurance agent or any beneficiary's insurance agent as to the type of insurance product and the insurance company (without any duty or obligation to make further inquiry or investigation concerning the policy or the insurance company issuing the policy), and the trustee shall be fully exonerated from any liability for actions taken in good faith in reliance on the agent's recommendation. Thereafter, the trustee may retain the policy without any liability for failing to exercise any options under that policy (including any option to reduce the premiums and insurance coverage, to use assets of the policy to pay premiums, to purchase reduced paid-up insurance, to purchase additional insurance coverage or to surrender the policy).

7.5.2.5.3 No duty to borrow. While grantor is living and legally competent, the trustee shall have no duty to borrow against the cash value of any policy of insurance for the purpose of paying premiums or to make use of the cash or other asset value of the policy for other investment purposes and shall have no liability for the lapse of any policy of insurance due to nonpayment of premiums if there are insufficient assets in the trust (other than the asset values of insurance policies) with which to pay the premiums.

7.5.2.5.4 No obligation to litigate. The trustee shall have no obligation to institute any litigation concerning any policy of insurance until the trustee shall first have been indemnified to its satisfaction by one or more of the beneficiaries (or other interested parties) against all expenses of the litigation to the extent trust assets are insufficient to pay the expenses.

7.5.3 Trustee liability limited. No trustee shall be liable for the action or inaction of any co-trustee or for the failure to assert breaches of trust by any former trustee. In addition, no individual trustee shall be liable for any action or inaction unless the trustee's action or inaction constitutes willful wrongdoing, gross negligence or bad faith.

7.5.4 Spendthrift provisions. Neither principal or income of any trust nor any beneficiary's interest in the trust shall be subject to alienation, assignment, encumbrance, appointment, or anticipation by the beneficiary, to garnishment, attachment, execution or bankruptcy proceedings, to claims for alimony, support, spousal election, maintenance, or payment of other obligations by any person against the beneficiary, or to any other transfer, voluntary or involuntary, by or from any beneficiary, provided that the foregoing shall not restrict the exercise of any general testamentary power of appointment and that any principal distributable to any beneficiary by reason of having attained a specified age shall be fully alienable by the beneficiary after attaining that age.

7.5.5 Rule against perpetuities. Each trust, if not sooner terminated pursuant to other provisions, shall terminate 21 years after the death of the survivor of grantor's spouse and all grantor's descendants who are living on the date of this instrument. In the event of termination of a trust under this provision, the assets shall be distributed per stirpes to grantor's descendants who were permissible recipients of the trust income immediately prior to the termination.

The grantor and the trustee have signed this instrument on or as of the date appearing at the beginning of this instrument and the trustee accepts their appointment by signing this instrument.

In the presence of:

(Witness)

[NAME OF GRANTOR]
as Grantor

(Witness)

(Witness)

[NAME OF TRUSTEE]
as Trustee

(Witness)

STATE OF [STATE NAME]
COUNTY OF [COUNTY NAME] } ss.

On this _____ day of _____, 20____, before me, a Notary Public in and for the State of [STATE NAME], personally appeared [NAME OF GRANTOR], to me known to be the person described in and who executed the foregoing instrument as GRANTOR, and acknowledged that said person executed the same as the person's free act and deed.

Notary Stamp or Seal (or Other Title or Rank)

Signature of Notary Public or other official

STATE OF [STATE NAME] }
COUNTY OF [COUNTY NAME] } ss.

On this _____ day of _____, 20____, before me, a Notary Public in and for the State of [STATE NAME], personally appeared [NAME OF TRUSTEE], to me known to be the person described in and who executed the foregoing instrument as, or on behalf of, trustee, and acknowledged that said person executed the same as the person's free act and deed.

Notary Stamp or Seal (or Other Title or Rank)

Signature of Notary Public or other official

SCHEDULE "A"
PROPERTY TRANSFERRED TO THE TRUSTEES

Issuer	Date Issued	Insured	Death Benefit	Policy Type
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				

(Additional assets may be added to this Trust without amending this Schedule of Property.)