LIFE ADVANCED MARKETS

Key benefits of irrevocable life insurance trusts (ILITs)

An ILIT is a type of trust specifically designed to own and manage life insurance policies. It is a legal arrangement where the grantor (the person creating the trust) transfers ownership of a life insurance policy to the trust, relinquishing control over it.

The trust is irrevocable, meaning that once the trust is established and funded, the grantor cannot modify, amend, or terminate it.

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KEY FEATURES AND BENEFITS OF AN ILIT INCLUDE:

- **Estate tax reduction:** By transferring ownership of the life insurance policy to the ILIT, the death benefit is removed from the grantor's estate for estate tax purposes. This can significantly reduce the estate tax liability upon the grantor's death.

- **Control over distribution:** The grantor can specify how the proceeds from the life insurance policy are to be distributed to beneficiaries. This can include instructions about when and how beneficiaries receive funds, providing control over the financial legacy. In addition, the life insurance can be used to fund charitable donations of the grantor's choosing.

- **Gift tax benefits:** Contributions to the ILIT can qualify for the annual gift tax exclusion if structured properly, often using Crummey powers, which allow beneficiaries a temporary right to withdraw contributions.

- **Liquidity for the estate:** The proceeds from the death benefit of the life insurance policy[1] can provide liquidity to pay estate taxes, debts, or other expenses, ensuring that other estate assets do not need to be liquidated quickly or at a disadvantageous time, allowing them to be passed on to beneficiaries as intended.

Incorporating life insurance into an estate planning strategy requires careful consideration and planning. It's important to consult with financial professionals and estate planning professionals to determine the most effective way to use life insurance to meet the client's specific estate planning goals.

NEED ADDITIONAL HELP?
Call the Life Case Design Team at **800.950.7372**

[1]The death benefit is generally income-tax-free when passed on to beneficiaries.