

LIFE INSURANCE SOLVES PROBLEMS

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LIFE INSURANCE SOLVES PROBLEMS

In complex estate and business planning there are many difficult problems to solve. Life insurance can often be an integral part of the solution. Below are 15 common situations that can be made better with properly designed life insurance contracts.

LIFE INSURANCE SOLUTIONS

1 Problem: *Funding large premiums with minimal gift tax expense*

Solution:

- Non-equity split-dollar (second to die)
- IDIT sale of income producing assets
- AFR loans to ILIT
- Premium financing

2 Problem: *Protection of personal liquid assets*

Solution: *Loan to ILIT to purchase high CSV product inside an ILIT*

3 Problem: *Protection of corporate liquid assets*

Solution: *Corporation enters into non-equity split-dollar agreement with ILIT using restricted collateral assignment*

4 Problem: *ILIT with outright distributions*

Solution:

- Consider 1035 exchange
- Sell Policy from old ILIT to new ILIT

5 Problem: *Second marriage with children from first marriage*

Solution: *ILIT for children; and revocable trust for surviving spouse*



LIFE INSURANCE SOLVES PROBLEMS

6 Problem: *Young Athlete/entertainer wants retirement income and liability/divorce protection*

Solution: *High CSV life insurance inside an ILIT and non-equity split-dollar agreement between self-settled trust and ILIT to fund premiums*

7 Problem: *Specified amount to children with balance to charity triggers estate taxes*

Solution:

- Revocable trust - leave estate tax exemption to children in lifetime trusts with balance to charity;
- ILIT to fund balance for children

8 Problem: *Family business with one child in the business and one who is not*

Solution: *Equalize with life insurance inside an ILIT*

9 Problem: *Business succession planning with key employees*

Solution:

- Recapitalize company into voting/nonvoting shares;
- Sell some nonvoting shares to IDIT for employees;
- Create buy-sell funded with life insurance to fund remaining purchase at death

ESTATE PLANNING SOLUTIONS

10 Problem: *Outright distributions to children; Mandatory income distributions to beneficiary (other than marital trust)*

Solution:

- Lifetime trusts which provide creditor, divorce and estate tax protection
- Discretionary distributions with beneficiary serving as trustee

11 Problem: *Liability protection and discounting; S Corporation discounting*

Solution:

- Family Limited Partnership (FLP) or Family Limited Liability Co. (FLLC)
- Recapitalize into 10% voting and 90% non-voting



LIFE INSURANCE SOLVES PROBLEMS

12 Problem: *Opportunity shifting*

Solution: *IDIT for spouse coupled with an ILIT for the benefit of the selling spouse*

13 Problem: *Concern about effect of wealth on children and/or grandchildren*

Solution: *Dynasty trust with incentive provisions*

14 Problem: *Multiple real estate investments*

Solution: *Multiple LLCs to compartmentalize risk*

15 Problem: *Client is general partner of existing FLP*

Solution: *Sell GP interest to irrevocable trust; retain ability to fire trustee*

