

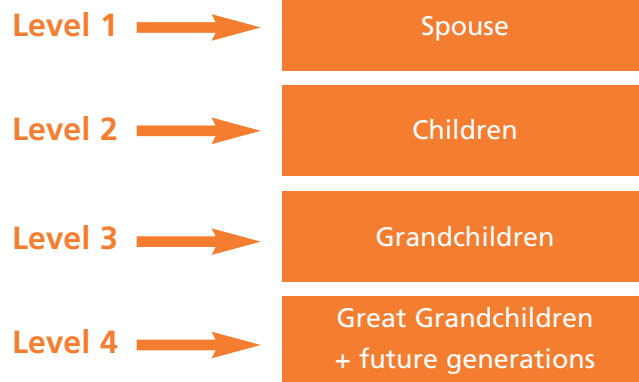


Building A Multi-Generation Trust

Trusts that pay benefits to several generations of family members can be effective in building, maintaining and passing on family wealth. These trusts are known as multi-generation trusts (sometimes they are also called "dynasty trusts" or "generation skipping trusts"). The trustee manages the assets in the trust and may be able to distribute income or principal to beneficiaries for their health, education, support or maintenance or upon the occurrence of specific events. The trust ends when the trustee must distribute all remaining assets.

Levels of Beneficiaries.

Multi-generation trusts usually have several "levels" of beneficiaries. This means that the trustee pays benefits to the beneficiaries in level one first. After the beneficiaries in level one have passed away, the trustee pays benefits to beneficiaries in level two. After they've passed on, benefits are paid to level three beneficiaries. And so on. The trust may allow the trustee to pay some benefits to younger generations before all members of the previous generation have passed on. The trust ends when the trustee has distributed all the trust's assets. These are the common levels of beneficiaries:



Reducing Estate Taxes.

One of the biggest advantages of multi-generation trusts is that they may help protect family assets from federal estate taxes. The estate tax is applied as assets are passed at death from parents to children and then from children to grandchildren. Multi-generation trusts are designed to reduce federal estate taxes by allowing trust assets to be taxed only once. Once the assets are placed in the trust, they are estate free for younger generations. A generation skipping transfer (GST) tax was created to tax transfers that skip generations. However, everyone has an exemption from the GST tax for transfers up to \$1,500,000. Thus, in 2004 or 2005 a married couple together can contribute up to \$3,000,000 to the trust without triggering any GST tax. Any asset growth after the transfer is GST tax-free.

Preserving Assets From Creditors and Divorce.

In addition to reducing estate and generation skipping taxes, these trusts may also deliver another valuable benefit: protection of family assets from the claims of beneficiaries' creditors and divorce claims from ex-spouses. As long as the assets are held in the trust, they are not the property of an individual beneficiary. Consequently, they aren't personal assets that can be claimed by a beneficiary's creditors or an ex-spouse.

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