



# Leave A Legacy They'll Never Forget

## Include A Multi-Generation Trust In Your Estate Plan

These materials are not intended to be used to avoid tax penalties, and were prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax advisor.

**Caution:** These materials are based on current tax laws that were in effect when these materials were prepared in 2011. Please consult your tax and legal advisors before utilizing these materials to verify the accuracy of the federal estate tax information contained herein.

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## We Love Our Grandchildren

Our lives changed when our grandchildren were born. Our world expanded and took on a new dimension. Our grandchildren have given us new experiences and helped us grow. They've helped us see the world through their eyes and have taken us back in time to when we were young. They've helped us remember old life lessons and taught us new ones.

Grandchildren are special. There isn't much we wouldn't do for them. We want them to grow up to realize all of their potential.

And yet we are afraid for them. We know that more than ever before, the world can be a difficult place. Accidents and illness can appear without warning. Jobs can disappear unexpectedly. Marriages may not last. Security can be hard to come by.

We can share our advice and our resources with them while we are alive. But our time is limited. Try as we might, we can't be around to help them forever. Age and time some day will separate us.

Many grandparents want to know, "How can I help my grandchildren after I'm gone? Can I leave them a legacy that will remind them of me and provide them additional security?"



### Consider a Multi-Generation Trust

You can continue to help your grandchildren after you've passed on. It can be done in a number of ways. One effective strategy is to create a multi-generation trust as part of your estate plan. A multi-generation trust is one that manages assets for family members over several generations. You create the trust and appoint a trustee to manage the assets. The trustee can pay funds to your children if they are needed. Then the trustee can pay benefits to your grandchildren. If you desire, the trust can continue on to assist future generations. Well-to-do families often use multi-generation trusts for these reasons:

- Distributions can be limited to beneficiaries' needs
- Trust assets may be protected from claims of beneficiaries' creditors
- Trust assets may be insulated from divorce settlements
- Professional investment advice can be secured
- Estate taxes to future generations may be avoided
- The trust can communicate your values and beliefs
- Trust assets may benefit several generations.

### A Potentially Valuable Tax Break

Multi-generation trusts can take advantage of a very valuable tax break—the generation skipping transfer (GST) tax exemption. Congress didn't want wealthy people to "sidestep" federal estate taxes by transferring large amounts of assets to their grandchildren and even younger family members. So it created the generation skipping transfer (GST) tax. To make sure this tax only applied to wealthy people, Congress gave everyone a large GST tax exemption. Over the years Congress has changed the amount of the exemption from time to time. Your tax, legal and financial advisors can tell you how much the GST exemption is today. When properly used, it can potentially help grandparents pass significant sums of money outside the GST tax to benefit grandchildren and younger generations.

## Multi-Generation Trusts Offer Advantages

Grandparents who want to help their children and grandchildren while possibly reducing estate and generation skipping transfer taxes may like the benefits a multi-generation trust can provide. Life insurance can be one of several assets or the only asset in the trust. The trust can be designed to last for a decade, for a hundred years, or even longer. During that time it could provide:

- Protection from claims of creditors
- Asset protection during divorce
- Potential estate tax savings
- Professional asset management

## Life Insurance Can Make A Good Plan Better

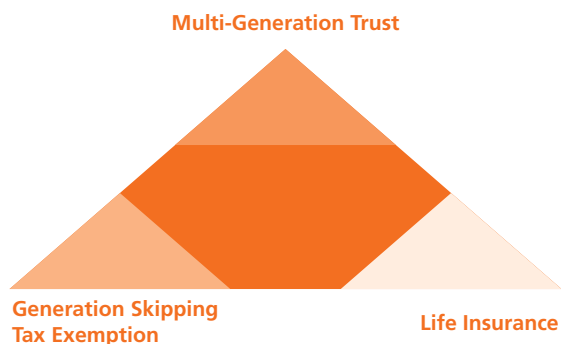
Life insurance coverage on a grandparent has the potential to add value to a multi-generation trust. It can be one of several assets in the trust or it can be the only asset. In either case it can improve the trust's ability to protect and pass on family wealth. Life insurance may add these advantages:

1. It can reduce or eliminate the cost and inconvenience of transferring tangible assets to the trust; with life insurance only cash needs to be gifted to the trust; the trustee can use it to purchase the policy and pay the premiums.
2. Death benefits are put on "reserve" at the time the policy is purchased; they are paid for in installments through the annual premiums.
3. Policy death benefits usually exceed the premiums paid.
4. Life insurance has the potential to provide these tax benefits:
  - Policy death benefits are income tax free
  - Policy death benefits can be estate tax free
  - Gifts of cash to the trust have the potential to be gift tax free (if they qualify as present interests for the gift tax annual exclusion)
  - Policy death benefits can be generation skipping transfer tax free

Life insurance can help grandparents who want to increase the amount of income, estate and GST tax-free wealth they can transfer to future generations. It can be an excellent tool to leverage the value of the GST tax exemption. Life insurance can be a useful way for grandparents to create a legacy for their children and grandchildren without repositioning their other assets.

## Create A Legacy That Won't Be Forgotten

Grandparents who are willing to add a new component in their estate plans can create a legacy for their grandchildren and increase their financial security. The combination of life insurance, a multi-generation trust, and the GST exemption may create a significant long-term legacy. This legacy can keep your memory alive in your grandchildren's hearts for decades to come.



## For More Information

If you have questions about how life insurance can be used in your estate plan (with or without multi-generation trusts), contact your ING representative.

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