



Life Insurance: Your Blueprint for Wealth Transfer Planning

Private Split Dollar Arrangements

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LIFE INSURANCE



Your future. Made easier.®

Life Insurance:

Your Blueprint for Wealth Transfer Planning

Life is good. You are financially successful and have a family with children – even grandchildren. Because your family is so important to you, you plan on leaving a legacy to the next generation in hopes that your family's good fortune continues.

Now the question is: What is the most efficient way to transfer your wealth to the next generation? Life insurance in an Irrevocable Life Insurance Trust (ILIT) may be the answer. Often the cornerstone of a solid wealth transfer strategy, ILIT-owned life insurance potentially offers many advantages including:

- Death benefit protection
- Tax advantages
- Protection from your children's creditors and former spouses.

A Private Split Dollar Arrangement is one tool you can use to efficiently fund the life insurance premiums in a wealth transfer strategy.

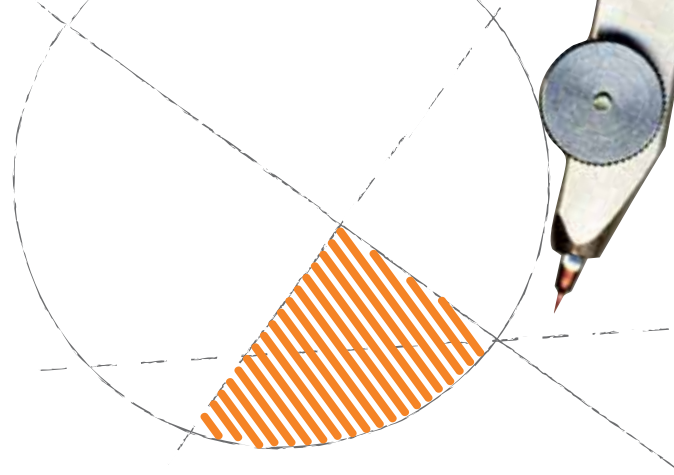
Private Split Dollar Arrangement

How it Works

A proven way to transfer family wealth is through an irrevocable life insurance trust (ILIT). These trusts purchase life insurance to help families efficiently transfer their wealth. The parents often make cash gifts to the trust so it can pay the policy premiums. Unfortunately, once gifts are made, the money can't be returned; it stays in the trust. Some parents are willing to make gifts but want the ability to get their money back if they change their minds or if family circumstances change.

A private split dollar arrangement (PSD) can help parents make funds available to an ILIT and retain some ability to get them back. Private split dollar is a strategy in which the parent supplies the funds to pay the premiums but reserves the right to be repaid the greater of the policy premiums paid or the policy cash values. The rest of the death benefits are retained by the ILIT. Every year the parent is deemed to make a gift of the value of the life insurance protection (an amount that is often less than the premium actually paid). Thus, a PSD arrangement can help the parent leverage the gift tax value of the premiums into larger death benefits that are paid to the trust income tax free.





A Case Study: The Brown Family Plan

Client: Joe and Paula Brown

Age/Health: 60, good health

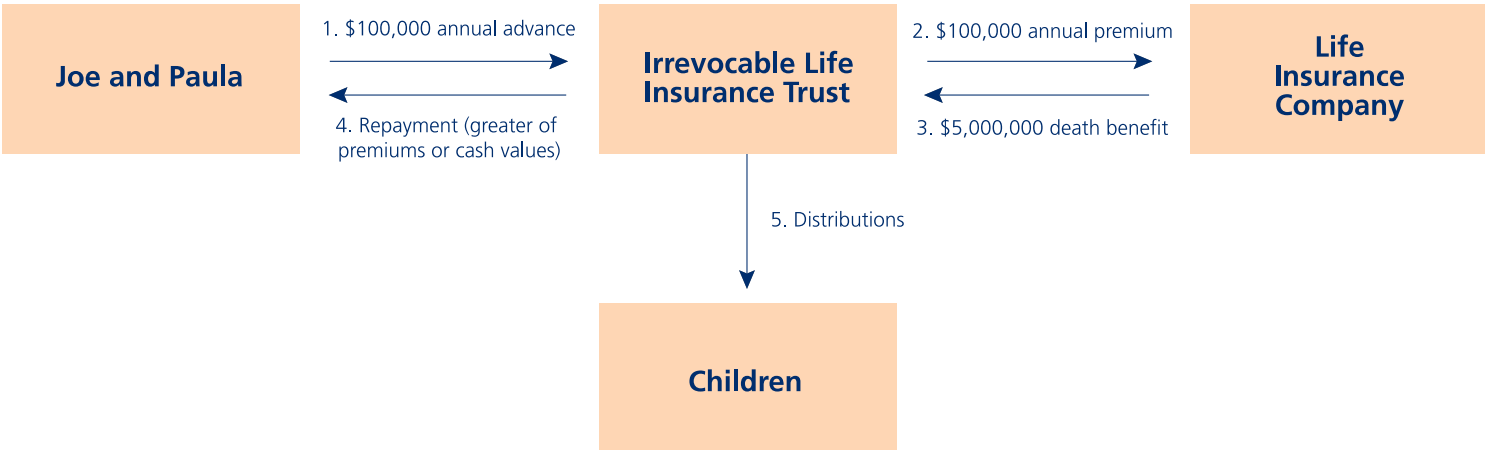
Estate Value: \$5 million

Problem:

The Browns would like to leave their children as much of a financial legacy as they can. However, they know that life is unpredictable. They are concerned about losing access to any portion of their money in case they need it.

Solution:

After a discussion with their legal and tax advisors, they developed an efficient wealth transfer strategy using a private split dollar arrangement with life insurance. Joe and Paula (both age 60) will establish an ILIT and the trustee will purchase a \$5,000,000 survivorship life insurance policy insuring both their lives and paying death benefits at the second insured's death. The ILIT will own the policy and be the beneficiary. They will advance the \$100,000 premium to the trustee each year for twenty years under the terms of a Private Split Dollar agreement. At the death of the surviving insured (or termination of the agreement, if sooner), the trustee will repay to them the greater of the cash values in the policy or the total premiums they advanced to the trust. All remaining death benefits will be paid to the ILIT and will be distributed under the terms of the trust. The policy premiums must be large enough to keep the policy in force until the surviving insured's death. Here's how it works:



Note: This hypothetical example is for illustrative purposes only and should not be deemed a representation of past or future results. This example does not represent any specific product.

Result:

Great things could potentially happen as a result of this arrangement. First, they may minimize the annual gift amount. Next, the death benefit proceeds increase the inheritance to their children, which may be estate and income tax free and may be protected from children's creditors and former spouses. An ILIT-owned life insurance policy with premiums paid through a private split dollar strategy may help Joe and Paula accomplish their estate planning objectives.

For more information, please call your ING Financial Professional.

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