



# Trusting in Life Insurance



**Mary James** is 50 and has a \$10,000,000 estate consisting primarily of real estate and some stocks and bonds. It is currently estimated that, upon her death, Mary's estate would be subject to estate settlement costs of about \$4,000,000.

Mary has three children and is interested in providing some liquidity for her estate, as well as possibly reducing the size of her estate. She has given her children small gifts, but nothing major.

## ■ **Situation: Mary has the \$1,000,000 lifetime gift exemption available to her.**

She could establish an Irrevocable Life Insurance Trust with a one-time gift of \$700,000 using part of the \$1 million lifetime gift exemption. The \$700,000 in the ILIT will purchase an Advantage Builder Series III Life Insurance policy with the No-Lapse Guarantee Rider. At age 100, assuming a 7.30% projected current crediting rate, the policy has grown to \$14,200,000 death benefit. The GUARANTEED death benefit is still \$4,000,000.

Lifetime Gift Exemption Available:	\$1,000,000	
Gift to Irrevocable Trust:	\$700,000	
Annual Gift Exemptions Used	-\$39,000	(\$13,000 annually per child)
Lifetime Gift Exemption Used	-\$661,000	(net after total annual exemptions)
Equals:	-\$339,000	Lifetime Gift Exemption remaining
One-time gift to ILIT of	\$700,000	purchases \$4,000,000 of life insurance with a No-Lapse Guarantee Rider

## ■ **Death Benefit at age 100:** Greater than \$14,200,000 ... tax-free to the ILIT ...this will help provide the liquidity needed for the estate settlement costs.

## ■ Solution: Advantage Builder Series III

Female, age 50, Standard, non-tobacco  
 \$700,000 one-time premium, \$4,000,000 initial face amount

End of Year	Age	Annual Outlay	Non-Guaranteed Cash Surrender Value	Non-Guaranteed Death Benefit
1	51	\$700,000	\$627,291	\$4,000,000
10	60	\$0	\$1,032,799	\$4,000,000
20	70	\$0	\$1,831,956	\$4,000,000
30	80	\$0	\$3,385,159	\$4,000,000
40	90	\$0	\$6,861,817	\$7,204,908
50	100	\$0	\$13,941,170	\$14,219,994

One-time gift to ILIT

Projected cash values that Mary may use as collateral for a loan or to borrow from

This chart shows projected non-guaranteed values. Not valid without full basic illustration.

■ **Conclusion:** If Mary died at age 70, her heirs would end up with a net distribution of slightly less than \$5,000,000 from her nearly \$10,000,000 estate, but with a policy in an ILIT, her heirs will receive approximately \$9,000,000 to share.