Life Insurance:
Your Blueprint for Wealth Transfer Planning

Private Split Dollar Arrangements

ING

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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 good fortune continues on.

Now the question is: What is the most efficient way to transfer your wealth to the next generation? Life insurance may be the answer. Often the cornerstone of a solid wealth transfer strategy, life insurance offers many advantages including :

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

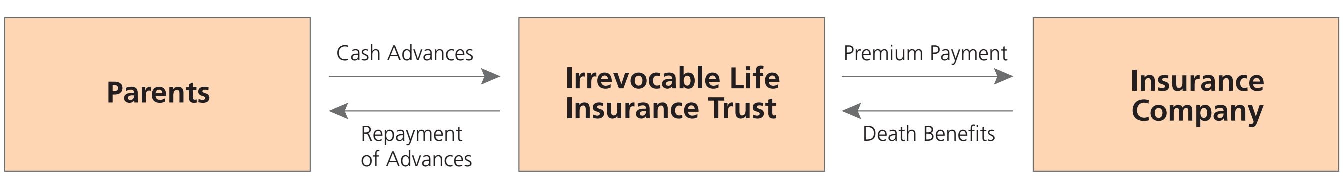
A Private Split Dollar Arrangement is one tool you can use to efficiently fund the life insurance premiums in a wealth transfer strategy.

Private Split Dollar Arrangement

How it Works

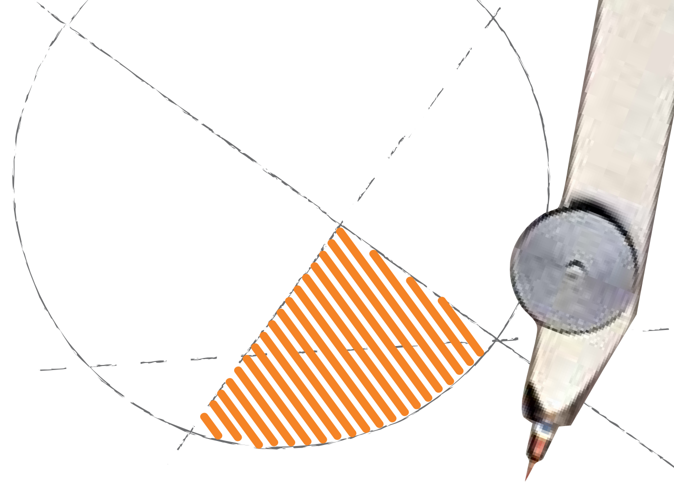
A proven way to transfer family wealth is through an irrevocable life insurance trust (ILIT). These trusts purchase life insurance to help families efficiently transfer their wealth. The parents often make cash gifts to the trust so it can pay the policy premiums. Unfortunately, once gifts are made, 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 the 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 term insurance value of the policy (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

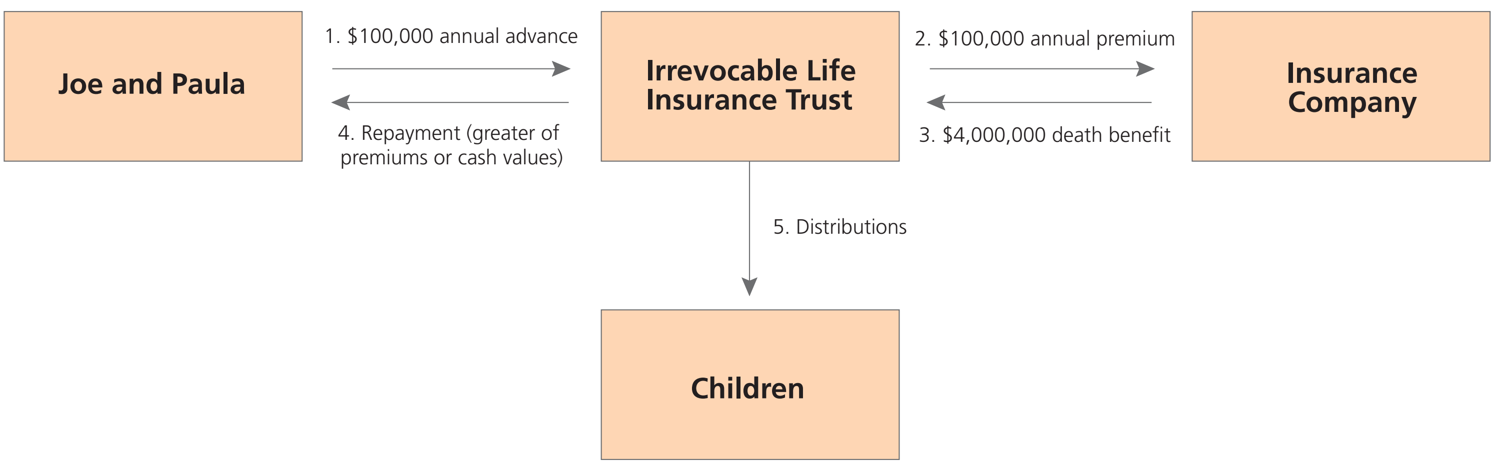
Estate Value: $5 million

Problem:

The Browns would like to leave their children as much of a financial legacy as they can. However, the Browns 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 advisors, they developed an efficient wealth transfer strategy using a private split dollar arrangement with life insurance. The arrangement is designed to leave their children a financial legacy while also maintaining control of the funds used to pay the life insurance premiums. Here's how it works:



Note: The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future results. This example does not represent any specific product, nor does it reflect sales charges or other expenses that may be required.

Result:

Great things happened as a result of this arrangement. First, they minimized the annual gift amount. Next, the death benefit proceeds increased the inheritance to their children, which is estate and income tax free and may be protected from children's creditors and former spouses. Thirdly, the Browns maintained control of their money. Lastly, and most importantly, the Browns achieved peace of mind.

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