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# Insurance Preservation Trust

If you own life insurance and want the proceeds to benefit your spouse and other loved ones tax free, then you should consider a Life Insurance Preservation Trust (Irrevocable Life Insurance Trust or ILIT). You can also use it to fund a buy-sell agreement.

Even with a Revocable Living Trust, an estate over $11,000,000 (sunsetting to $5+ million in 2025) will face federal estate taxes at rates as high as 46%. An Insurance Preservation Trust removes the insurance from the taxable estate, allowing the proceeds to be used to pay estate taxes, for business buy-outs, to provide for the surviving spouse, and to pass on to your children *tax free – it provides liquidity for any purpose.*

The Insurance Preservation Trust provides an inexpensive means of creating finds to pay estate taxes. The trust holds the insurance proceeds 10 months after the death of the surviving spouse, giving the trustee the means necessary to pay the estate taxes due or use for settlement. In holding the assets, the beneficiaries are unable to spend these essential monies until the estate taxes and debts are paid.

As Trustor of the Insurance Preservation Trust, you are able to establish who the beneficiary of the proceeds will be and how the distributions will be made. Once the trust is established, because it is irrevocable, the Trustee (who can be your children, trusted friends or a third party Trustee) will administer the proceeds according to the wishes you have set forth in the document.

The Insurance Preservation Trust provides an outstanding way to achieve multiple estate planning goals including substantial estate tax savings, asset preservation and creditor protection, continued management of the insurance proceeds for beneficiaries and the prevention of insurance proceeds for beneficiaries and the prevention of unnecessary loss of your hard-earned assets.

## *Advantages of an Insurance Preservation Trust*

- Removes the insurance from your taxable estate and provides liquidity
- Enables you to pay estate taxes with life insurance
- Allows management and control of policy proceeds consistent with your personal wishes
- Avoids probate and is free from income and estate taxes
- Cash value build-up and policy loans to avoid the new higher income tax rates and the Medicare surtax
- Can provide income to your spouse without the proceeds being included in your spouse's estate
- Corporate split-dollar loans to employees, at low interest rates, to pay for life insurance on an income tax-advantaged basis
- A business or real estate can remain in the taxable estate and get a capital gains basis step-up, while any estate tax can be paid by the insurance