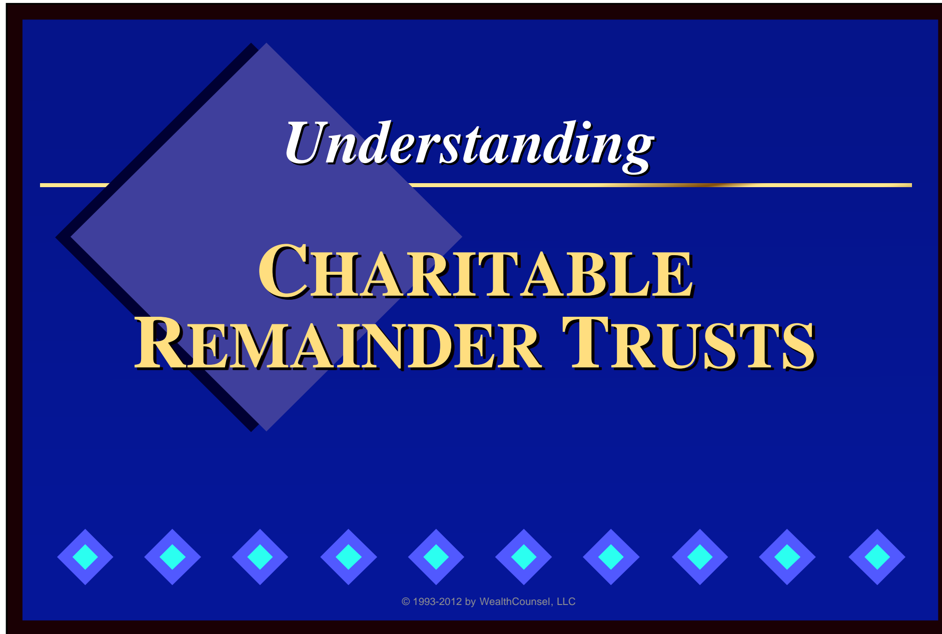


Good morning/afternoon/evening.

My name is __________ and I'm a (title) with (name of firm/organization). (Talk about yourself for a minute or two, so people can get to know you. Be sure to include how long you've been in business, your specialty, location, etc.)

I'd like to welcome you to our presentation entitled, *Understanding Charitable Remainder Trusts*.

Before we get started, there are a few things I'd like to tell you about this presentation.

Not for Duplication Or Distribution

ABOUT THIS PRESENTATION

- Time
- Notes
- Plain English
- Questions

Some of you may be wondering how long the presentation will last, especially if your spouse brought you here! You can relax—it will only last about 35 minutes. And I think you will find it to be most interesting.

During this time, you won't need to take notes. The information I will cover is included in these handouts.* They are yours to take home and review at your convenience. For now, please set them aside so you can concentrate on the presentation.

Not for Duplication Or Distribution

I promise you that everything will be discussed in plain, clear English—so you can understand it. You will learn a few legal terms along the way, but you'll understand what they mean.

I encourage you to ask questions. However, so we can end on time and not inconvenience anyone, I'd like to ask that you please write down your questions and hold on to them. I'll be happy to answer each and every one of them after the presentation.

*SPEAKER NOTE: The handouts *Understanding Charitable Remainder Trusts* and *Understanding Irrevocable Life Insurance Trusts* are available for purchase in quantity from Schumacher Publishing, Inc.

© 1993-2012 by WealthCounsel, LLC

The next thing I'd like to do is congratulate you. Why? Because by coming here tonight, you've taken a big step forward. Unlike a lot of people who procrastinate and never seem to find the time, you are becoming informed about something that could be very important for you and your family. And I think you'll be glad you did.

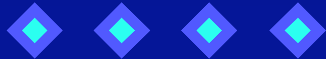
Since 1969, countless families have used charitable remainder trusts to increase their income, save taxes and benefit charities.

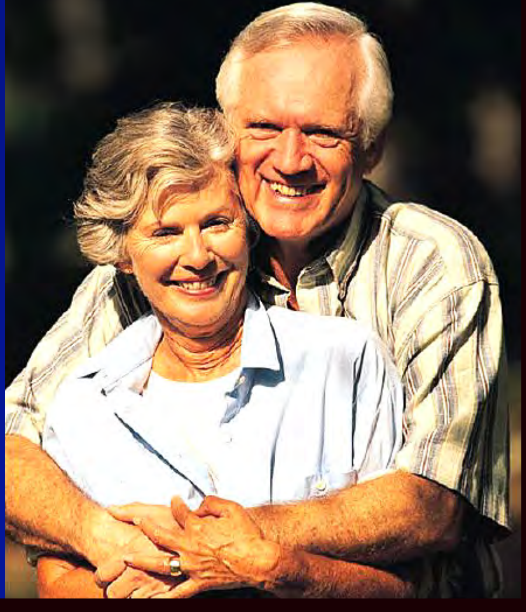
Why are they so popular?

Not for Duplication Or Distribution

BENEFITS OF CRT

- **Convert Appreciated Asset Into Lifetime Income**
- **Reduce Income Taxes**
- **Reduce Estate Taxes**
- **No Capital Gains Tax**
- **Benefit Charity**





A charitable remainder trust lets you convert an appreciated asset (like stocks or real estate) into a lifetime income.

It reduces your income taxes now and your estate taxes when you die.

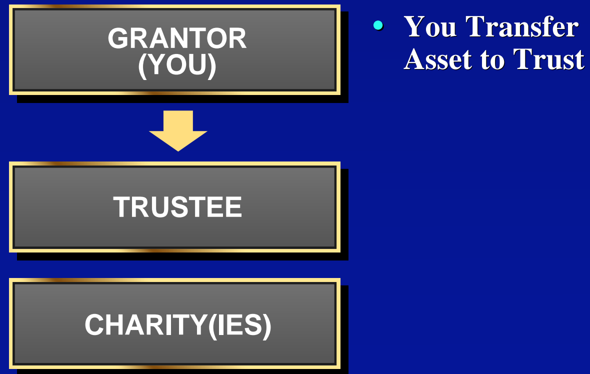
You pay no capital gains tax when the asset is sold.

Plus, it lets you help one or more charities that have special meaning to you.

Let’s look at how a charitable remainder trust works.

Not for Duplication
Or Distribution

© 1993-2012 by WealthCounsel, LLC

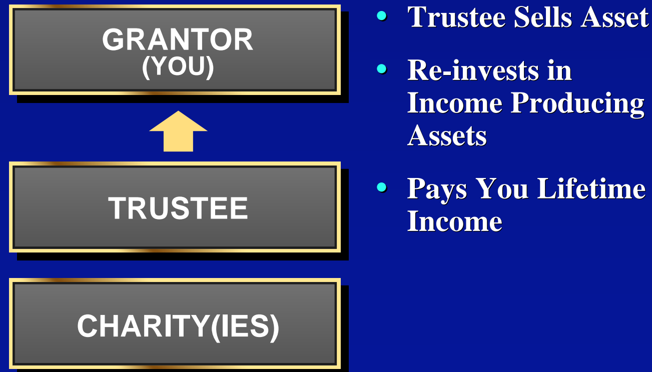


You transfer the appreciated asset into an irrevocable trust.

This removes the asset from your estate, so no estate taxes will be due on it when you die. You also receive an immediate charitable income tax deduction.

Not for Duplication
Or Distribution

© 1993-2012 by WealthCounsel, LLC



The trustee of the trust sells the asset at full market value, and re-invests the proceeds in income-producing assets. There is no capital gains tax because the trust is exempt from paying them. The trust then pays you an income for the rest of your life.

Not for Duplication
Or Distribution

CHARITABLE REMAINDER TRUST

GRANTOR
(YOU)

TRUSTEE

CHARITY(IES)

- **After You Die, Charity Receives Trust Assets**

After you die, the charity or charities you have specified will receive the assets that are left in the trust. That's why it's called a charitable *remainder* trust—the charity receives the remainder of the trust assets.

You may be thinking, "Why not just sell the asset and invest the proceeds myself?"

Of course, you could, but you would pay more in taxes and there would be less income for you. Let's look at just one example.

Not for Duplication
Or Distribution

© 1993-2012 by WealthCounsel, LLC

Meet Max and Jane Brody. He's 65 and she's 63. He is planning to retire soon and they would like to convert an asset they have been holding for several years into retirement income.

Their combined life expectancy is 26 years—in other words, according to statistics, at least one of them should live for 26 more years.

They are currently in a 35% income tax bracket.

The asset they would like to sell is some stock that is currently valued at $500,000. Their cost basis, what they paid for the stock, is $100,000. They would like to earn 5% from this asset.

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC

Income After Sale

	Without CRT
Market Value	$ 500,000
Capital Gains Tax	- 60,000
Balance to Re-Invest	$ 440,000
5% Annual Income	$ 22,000
Total Lifetime Income	$ 572,000
Tax Savings From Deduction	$ 0

If they sell the stock for its full market value of $500,000 as shown here, they would have a gain of $400,000 and would have to pay $60,000* in capital gains tax—15% of $400,000 is $60,000. That would leave them with $440,000 to re-invest.

Using a 5% return, this would provide them with an annual income of $22,000. If we multiply this by their life expectancy of 26 years, we get a total lifetime income before taxes of $572,000. Of course, there is no charitable tax deduction if they sell the stock themselves. And because they still own the assets, there is no protection from creditors.

Not for Duplication Or Distribution

*SPEAKER NOTE: The top capital gains rate on assets held for more than 12 months is now 15%.

© 1993-2012 by WealthCounsel, LLC

Income After Sale

	Without CRT	With CRT
Market Value	$ 500,000	$ 500,000
Capital Gains Tax	- 60,000	0
Balance to Re-Invest	$ 440,000	$ 500,000
5% Annual Income	$ 22,000	$ 25,000
Total Lifetime Income	$ 572,000	$ 650,000
Tax Savings From Deduction	$ 0	$ 31,625

If they transfer the stock to a charitable remainder trust instead, they can take an immediate charitable income tax deduction of $90,357,** which will reduce their current income taxes by $31,625.*** The deduction can be used against 30% of their adjusted gross income for the year. If they can't use all of the income tax deduction in the year they transfer the asset to the trust, they can carry it forward for an additional five years.

Not for Duplication
Or Distribution

The trustee will then sell the stock for $500,000. But because the trust is exempt from paying capital gains tax, the full $500,000 is left to re-invest instead of $440,000.

If we use the same 5% annual return, that would provide Max and Jane with $25,000 in annual income which, before taxes, will total $650,000* over their lifetimes. That's $78,000 more in income than if they had sold the stock themselves. And, because the assets are in an irrevocable trust, they are protected from creditors.

Now let's look at a few more things you should know.

SPEAKER NOTES: *Actual income may be higher or lower, depending on investment performance. **Based on 5.0% Unitrust (annual payout) at 4.4% AFR (applicable federal rate). ***90,357 x 35% income tax rate = $31,625.

© 1993-2012 by WealthCounsel, LLC

INCOME CHOICES

- Fixed Percentage = Unitrust
- Fixed Dollar Amount = Annuity Trust

You have two choices of how to receive income from the trust.

You can elect to receive a fixed percentage of the trust assets, like Max and Jane did. In this case, your trust would be called a charitable remainder *unitrust*.

Or you can receive a fixed dollar amount, and your trust would be called a charitable remainder *annuity* trust.

Not for Duplication Or Distribution

SPEAKER NOTE: With either the unitrust or annuity trust, the IRS requires that the payout rate stated in the trust document cannot be less than 5% or more than 50% of the initial fair market value of the trust's assets.

© 1993-2012 by WealthCounsel, LLC

UNITRUST

- **Income Will Fluctuate**
  - **Trust Re-Valued Each Year**
  - **Trust Assets Grow Tax-Free**
  - **“Make-Up” Provision**

If you choose the unitrust and receive a percentage of the trust’s earnings, the amount of your annual income will fluctuate, depending on investment performance and the annual value of the trust.

The trust will be re-valued at the beginning of each year to determine the dollar amount of income you will receive.

If the trust is well managed, it can grow quickly because the trust assets grow tax-free. So the amount of your income will increase as the value of the trust grows.

Sometimes the assets contributed to the trust—like real estate or stock in a closely held corporation—are not readily marketable, so income is difficult to pay.

In that case, the trust can be designed to pay the lesser of the fixed percentage of the trust’s assets or the actual income earned by the trust. Usually a provision is included so that, if the trust has an off year, it will “make up” any loss of income in a better year.

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC

ANNUITY TRUST

- **Income Will Not Fluctuate**
- **No Protection Against Inflation**
- **Definite Income**

If you choose the annuity trust, the amount of your income does not fluctuate. This means it will not decrease if the trust has an off year, but it also will not increase if the trust does well.

An annuity trust is usually a good option at older ages. While it does not provide protection against inflation like the unitrust does, some people like the security of being able to count on a definite amount of income each year.

It is best to use readily marketable assets—like stocks—to fund an annuity trust. You could also use cash.

In either case, unitrust or annuity trust, the IRS requires that the payout rate stated in the trust cannot be less than 5% or more than 50% of the initial fair market value of the trust's assets.

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC

TRUST INCOME

- Paid to
  - You (and Spouse)
  - Children
  - Other
- For Lifetime(s) or Term of Years
- Taxable When Received

Who can receive this income? There is some flexibility here. It can be paid to you for your lifetime or, if you are married like Max and Jane, the income can be paid for as long as either of you lives.

The income can also be paid to your children for their lifetimes, or to any other person or entity you wish, providing the trust meets certain requirements.* In addition, there are gift and estate tax considerations if someone other than you or your spouse receives the income.

Instead of lasting for someone's lifetime, the trust can also exist for a set number of years—up to 20. And, income from the trust is generally taxable in the year it is required to be paid.

By the way, you don't have to take the income now. You can set up the trust and enjoy the income tax deduction now, but postpone taking an income until later. By then, the trust assets, with good management, will have appreciated considerably in value, resulting in more income for you.

Not for Duplication
Or Distribution

*SPEAKER NOTE: The charitable income tax deduction computed at the time of the gift must be at least 10% of the value transferred.

© 1993-2012 by WealthCounsel, LLC

INCOME TAX DEDUCTION

- Based On:
  - Amount of Income
  - Size and Type of Asset
  - Age(s) of People Receiving Income
- Higher Payout Rate = Lower Deduction
- Usually Limited to 30% or 50% of AGI
- Carry Forward Up to 5 Additional Years

Now, how much will your charitable income tax deduction be?

That will depend on the amount of income you receive, the size and type of asset you gift, and the ages and number of people who receive income from the trust.

Basically, the higher the payout rate, the lower your deduction will be.

In addition, your annual deduction is usually limited to 30% or 50% of your adjusted gross income.*

And, remember, if you cannot use the entire tax deduction in the year you make the gift, you can carry it forward for up to five additional years.

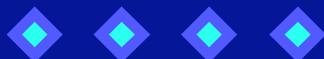
Not for Duplication Or Distribution

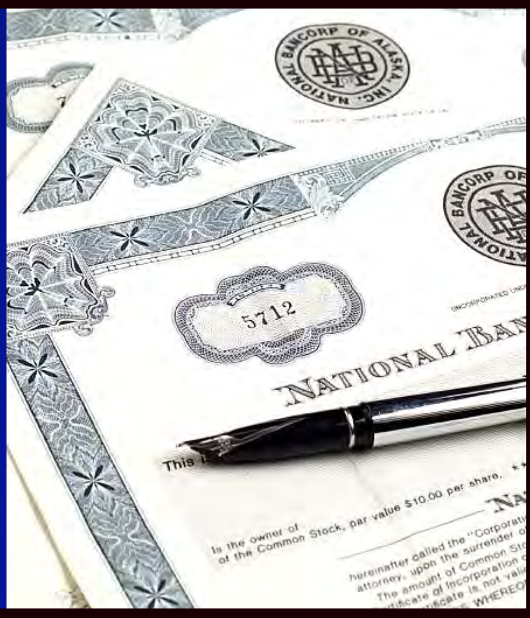
*SPEAKER NOTE: The deduction will vary from 20% to 50% AGI, depending on how the IRS defines the charity and type of asset involved. Generally, the deduction for appreciated property is limited to 30% of AGI and unappreciated property to 50% AGI.

© 1993-2012 by WealthCounsel, LLC

WHICH ASSETS ARE BEST?

- Publicly Traded Securities
- Real Estate
- Closely-Held Corporation





What kinds of assets are best suited for a charitable remainder trust?

The best assets are those that have greatly appreciated in value since you purchased them—specifically publicly traded securities, real estate and stock in some closely-held corporations. Cash can also be used.

Stock in an S-corporation does not qualify. Mortgaged real estate usually won't qualify, either, although you could consider paying off the loan.

Not for Duplication
Or Distribution

© 1993-2012 by WealthCounsel, LLC

WHO CAN BE TRUSTEE?

- **You, Other Individual**
- **Corporate Trustee**
- **Charity**

Not for Duplication Or Distribution

Now, who can be trustee? Remember, when you set up the trust, you'll need to name a trustee to manage the trust assets.

You can be your own trustee or name another individual if you wish. But you must be sure the trust is administered properly—otherwise, you could lose the tax advantages and/or be penalized. Most people who name themselves as trustee have the paperwork handled by a "third party administrator."

Because of the experience required with investments, accounting, and government reporting, some people choose a corporate trustee—that's a bank or trust company that specializes in managing trusts. Some charities are also willing to act as trustee.

Before naming a trustee, it's a good idea to interview several candidates. Consider their investment performance, services and experience with these trusts. Remember, you are depending on the trustee to manage your trust properly and to provide you with income.

SPEAKER NOTE: If you are a corporate trustee, you may want to add some slides at the end of this presentation about your own investment performance. Or use some of our slides on the benefits of using a corporate trustee from our presentation, *Understanding Estate Planning & Living Trusts*. Also, the handout *Understanding Corporate Trustees* is available for purchase in quantity from Schumacher Publishing, Inc.

© 1993-2012 by WealthCounsel, LLC

YOU STILL HAVE SOME CONTROL

- Trustee You Select Controls Assets
  - Must Follow Instructions
  - Primary Responsibility to You
- Can Change Trustee
- Can Change Charity

You're probably wondering if you will have any control. After all, this is an irrevocable trust, so once you set up the trust and transfer the asset to it, you cannot change your mind. Even so, you will keep some control.

First, for as long as you live, the trustee you select—not the charity—controls the trust assets. Your trustee must follow the instructions you put in your trust. And the trustee's primary responsibility is to you, not to the charity.

Next, you can retain the right to change the trustee if you become dissatisfied.

And finally, you can change the charitable beneficiary of the trust to another qualified charity without losing the tax advantages.

So, now you know how a charitable remainder trust works and about the many benefits it can provide for you. But some of you may be thinking, "Sounds great for me, but…

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC

"WHAT ABOUT MY CHILDREN?"

- If Asset Given Away…What's Left?

What about my children? If I've given the asset away, what's left for my family?"

Let's go back to our example with Max and Jane for just a minute and take a look at this.

Not for Duplication
Or Distribution

BENEFICIARY ANALYSIS

	Without CRT
Market Value	$ 500,000
Capital Gains Tax	- 60,000
Balance to Re-Invest	$ 440,000
Estate Tax (35%)	- 154,000
Net to Children	$ 286,000

As we showed you earlier, if the Brodys sell the stock themselves, they would have $440,000 left to re-invest after paying the capital gains tax.

There may also be estate taxes when they die. If we assume in our example that the Brodys will have to pay estate taxes at a rate of 35%, $154,000 will go to pay federal estate taxes,* leaving the Brody children with $286,000.

Not for Duplication
Or Distribution

In 2011 and 2012, the federal estate tax exemption is $5 million with a 35% tax rate. (This amount is adjusted for inflation for 2012.) If Congress does not act by the end of 2012, on January 1, 2013 the exemption will be $1 million with a 55% top tax rate. Also, some states have their own death/inheritance tax, so you could be exempt from the federal estate tax and still have to pay a state tax.

© 1993-2012 by WealthCounsel, LLC

BENEFICIARY ANALYSIS

	Without CRT	With CRT
Market Value	$ 500,000	$ 500,000
Capital Gains Tax	- 60,000	- 0
Balance to Re-Invest	$ 440,000	$ 500,000
Estate Tax (35%)	- 154,000	- 0
Net to Children	$ 286,000	$ 0

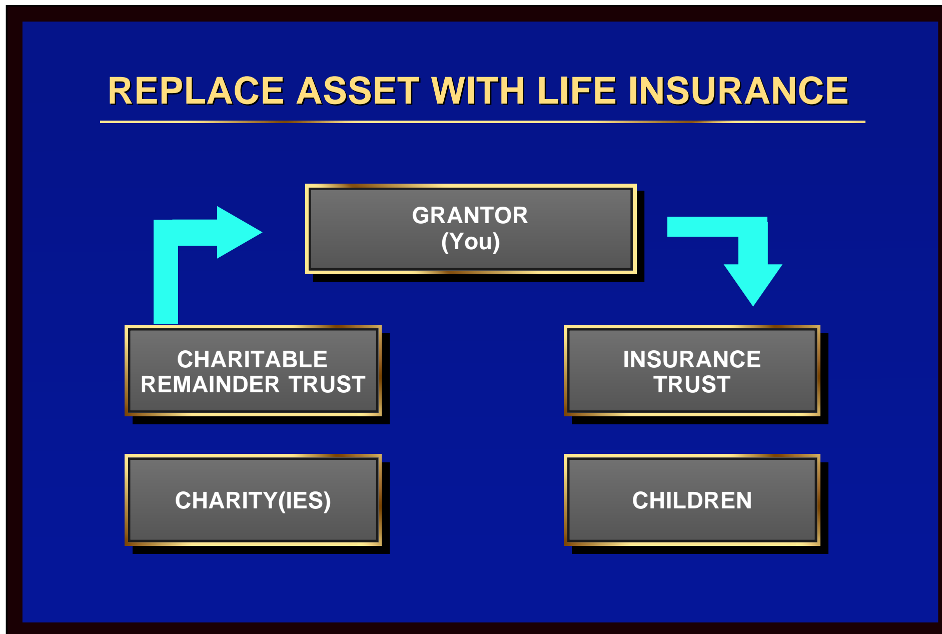
On the other hand, if they transfer the stock to a charitable remainder trust, as shown on the right, they won't have to pay any capital gains or estate taxes, but there also isn't anything left for their children. Remember, when the Brodys die, whatever is left in the trust will go to charity.

If you have a sizeable estate, the asset you place in a charitable remainder trust may be a small percentage of your total assets, so your children may be well taken care of.

But if you are concerned about replacing the value of this asset for your children, there is a very easy way to do so.

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC



You can take the income tax savings and part of the income you receive from the charitable remainder trust, as shown here, and fund an irrevocable life insurance trust.

Each year you can give money to the insurance trust and the trustee can purchase enough life insurance to replace the value of the asset for your children when you die.

Not for Duplication
Or Distribution

SPEAKER NOTE: If you want to explain more about how the insurance trust works, you can insert the optional slides 3-33 through 3-36 here.

© 1993-2012 by WealthCounsel, LLC

BENEFICIARY ANALYSIS

	Without CRT	w/ CRT+ILIT
Net to Children	$ 286,000	$ 0
Insurance Proceeds	+ 0	+ 500,000
Total to Children	$ 286,000	$ 500,000

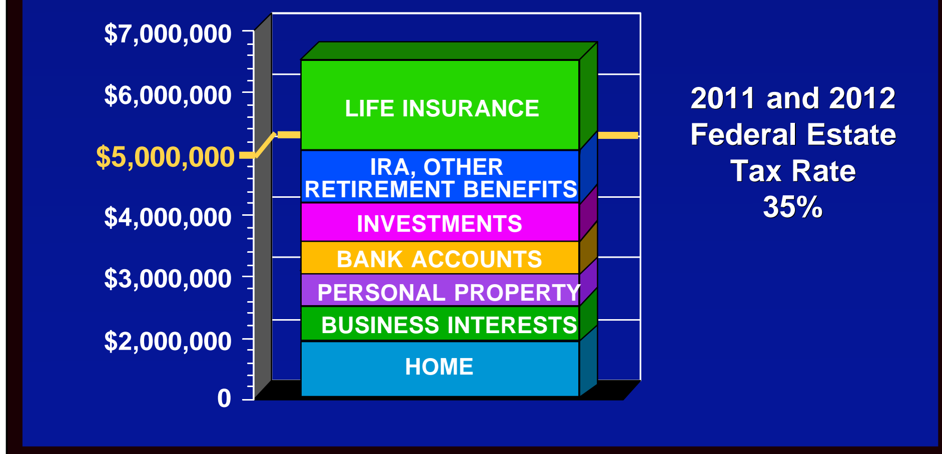
Now, let's look at the effect on the Brody children.

When we add in the death proceeds from the insurance trust, the children will receive $500,000—the full market value of the stock. This is almost twice what they would have received if the Brodys had sold the stock themselves.

Now, why would you want to use a life insurance trust? Why not just purchase the insurance yourself?

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC



You may not know this, but as this chart illustrates, the life insurance you own is included in your taxable estate, along with your other assets, such as your home, other real estate, and so on.

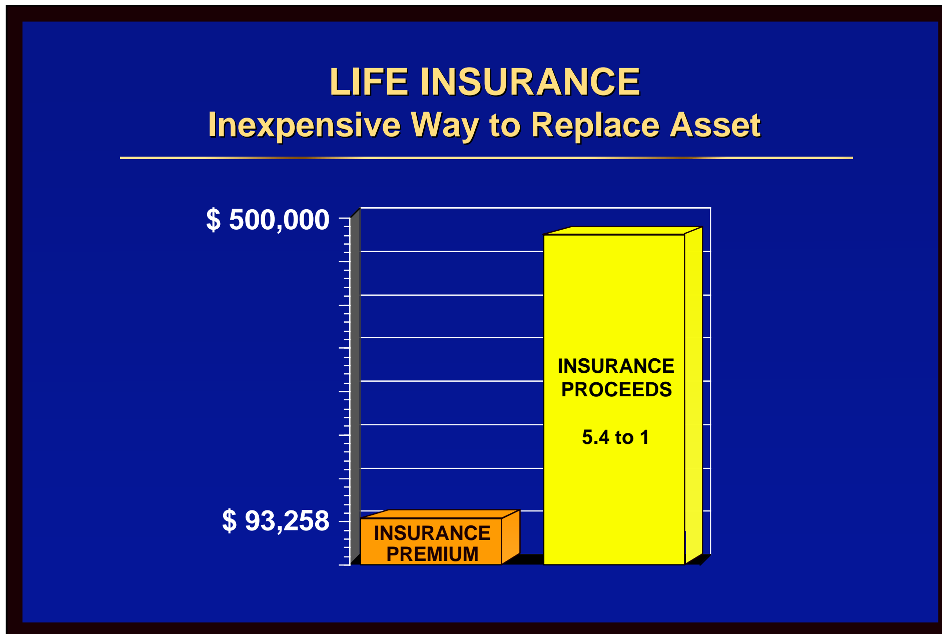
So if you buy the insurance yourself, you just increase the value of your estate and the amount of estate taxes that must be paid when you die. The estate tax is an expensive tax; historically, it has been 45% to 55%. Currently, in 2011 and 2012, the exemption is $5 million with a 35% tax rate. (Amount is adjusted for inflation for 2012.) But remember, if Congress does not act by the end of 2012, on January 1, 2013 the exemption will be $1 million with a 55% top tax rate.

With a life insurance trust, the trust owns the insurance *for* you. So this insurance will not be included in your taxable estate…which will reduce the size of your estate and the amount of estate taxes that will be owed when you die.

Even if you don't use a charitable remainder trust, you may want to have a life insurance trust to keep your insurance out of your estate.

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC



Next, for most people, life insurance is the least expensive and quickest way to replace the asset you transfer to the charitable remainder trust.

For example, based on their ages and health, it would cost Max and Jane only $93,258* in premium to purchase $500,000 in life insurance. That's enough to replace the FULL value of the asset transferred to the charitable remainder trust.

You can see that life insurance provides excellent leverage. For every dollar they spend in premium, the Brodys can generate almost $5.40 in life insurance proceeds for their children.

And remember, with life insurance, the proceeds are available immediately. So, even if both Max and Jane die tomorrow, their children would receive the full $500,000, without probate, and completely free from income and estate taxes.

Not for Duplication Or Distribution

*SPEAKER NOTE: Premium (for a male, age 65 and a female age 63) is based on a second-to-die policy, using all whole life, from an AAA rated insurance company.

© 1993-2012 by WealthCounsel, LLC

LIFE INSURANCE TRUST

- **Inexpensive Way to Replace Asset**
- **Keeps Proceeds Out of Taxable Estate**
- **No Probate, Income or Estate Taxes**
- **Gives You More Control**
  - **Insurance Policy**
  - **When Children Receive Proceeds**
  - **Protection From Irresponsible Spending, Creditors**

So, now you know that life insurance can be an inexpensive way to replace the gifted asset. Using a life insurance trust will keep the proceeds out of your taxable estate, so the proceeds will go to your children free of probate, with no income or estate taxes.

Using a life insurance trust will also give you more control.

You could name someone else as the owner of the policy—that would also keep it out of your taxable estate. But then you would have no control over the insurance. The person you name as owner could change the beneficiary, withdraw all the cash value, or even cancel the policy.

With a life insurance trust, you minimize these risks. Plus you can keep control over when your children will receive the proceeds. For example, instead of getting all that money at one time, you could have them receive it in installments. You can keep the proceeds in the trust for years, making periodic distributions to your children and grandchildren. And any proceeds that remain in the trust are protected from irresponsible spending and creditors…even spouses.

Now, let's look at how paying the insurance premium will affect the Brody's income.

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC

INCOME COMPARISON

	Without CRT	w/ CRT+ILIT
Total Lifetime Income	$ 572,000	$ 650,000
Tax Savings From Deduction	+ 0	+ 31,625
Insurance Premium	- 0	- 93,258
Balance	$ 572,000	$ 588,367

Remember, as shown on the right, the charitable remainder trust will pay the Brodys $650,000 in lifetime income.

When you add in the income tax savings of $31,625 and subtract the insurance premium of $93,258, that still leaves them with $588,367 of income—$16,367 more than if they had sold the stock themselves, as shown on the left.

Not for Duplication
Or Distribution

© 1993-2012 by WealthCounsel, LLC

SUMMARY COMPARISON

	Without CRT	w/ CRT+ILIT
Total Lifetime Income	$ 572,000	$ 588,367
Net to Children	$ 286,000	$ 500,000
Gift to Charity	$ 0	$ 500,000

This combination of a charitable remainder trust and a life insurance trust is a winning situation for everyone.

Even after paying the insurance premium to replace the asset for their children, Max and Jane increase their lifetime income by more than $16,000—to $588,367.

Their children will receive $500,000, the full value of the stock. That's almost twice what they would have received if the Brodys had sold the stock themselves, and paid capital gains and estate taxes.

Plus, Max and Jane are able to make a substantial gift—$500,000—to their favorite charity, which they may not have been able to do without the charitable remainder trust.

We've covered quite a bit of information in this presentation. Let's briefly summarize the benefits of a charitable remainder trust.

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC

As you have seen, using a charitable remainder trust lets you convert an appreciated asset into a lifetime income.

You are able to reduce your current income taxes because you receive a charitable income tax deduction in the year you transfer the asset to the trust.

You reduce estate taxes that may be due when you die because transferring the asset to the charitable remainder trust removes it from your taxable estate.

You pay no capital gains tax when the asset is sold because the trust—not you—sells the asset.

You receive more income over your lifetime than if you had sold the asset yourself and invested the proceeds.

By using a life insurance trust to replace the full value of the asset, your children receive much more than if you had sold the asset yourself and had paid capital gains and estate taxes.

And, finally, you are able to make a sizeable gift to one or more charities that have special meaning to you.

SPEAKER NOTE: If you wish, you can insert the optional slide on Charitable Lead Trusts here.

Not for Duplication Or Distribution

A charitable remainder trust should be part of your overall estate plan. If you're wondering where to begin, just follow our five-step action plan:

1. Inventory your assets and debts. Find out the current market value of your assets and what you paid for them, so you can determine which of your assets would be best for a charitable remainder trust. Remember, assets that have appreciated greatly since you purchased them are the best ones to use.

2. Write down your objectives. Decide whom you want to receive the income and which charity or charities you would like to help.

3. Select a professional to help: someone with whom you will be comfortable sharing this information, who can answer your questions, and who can help you with your decisions and with putting your plan in place.

4. Have the legal documents prepared.

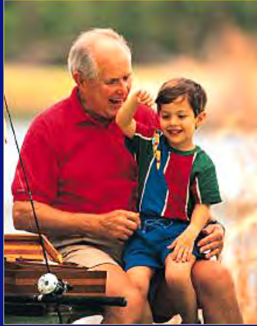
5. Put your plan into action, by transferring the asset into the charitable remainder trust, and setting up and funding an irrevocable life insurance trust if you choose to use one.

Now, I'd like to leave you with one final thought…

Not for Duplication Or Distribution

© 1993-2012 by WealthCounsel, LLC

PEACE OF MIND



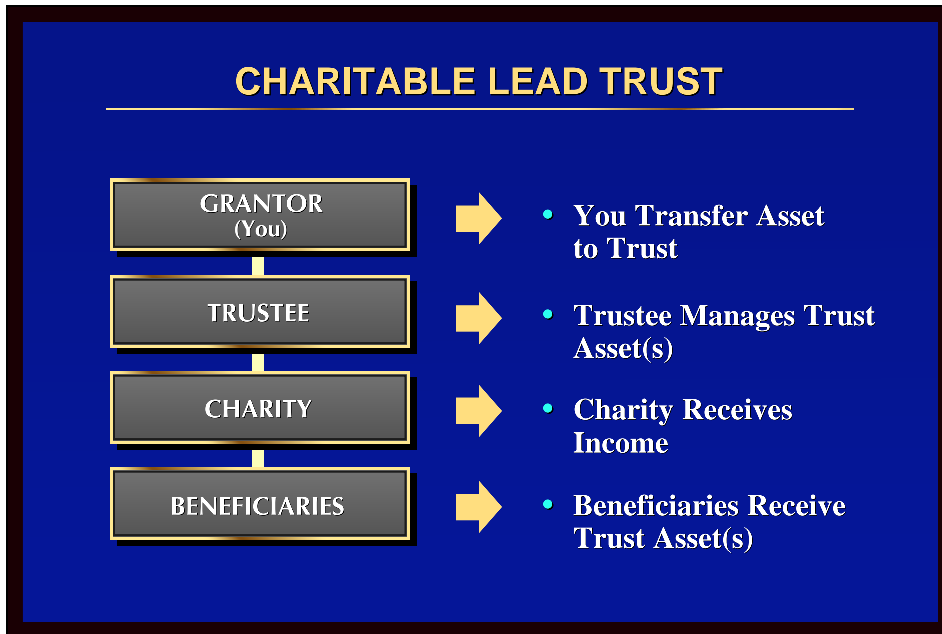
When you take the time to put together a good estate plan with a qualified professional, you'll have the best benefit of all—PEACE OF MIND.

You'll be able to relax with your family and friends, knowing you've done the right thing for you and your family.

Now, let's get to those questions.

Not for Duplication
Or Distribution

© 1993-2012 by WealthCounsel, LLC



Another charitable trust you may want to consider is called a charitable lead trust.

Basically, it works just the opposite of a charitable remainder trust. You still transfer an appreciated asset to the trust. But with a charitable lead trust, the charity receives the income (instead of you). And your beneficiaries receive the trust assets after a certain number of years or after you die.

This arrangement would be appealing if you do not want the income now and you want your spouse, children or grandchildren to eventually receive the trust assets.

With a charitable lead trust, the asset is removed from your taxable estate, so you reduce your estate taxes. And you make a valuable contribution to a favorite charity—which you can see now, while you are living.

Not for Duplication Or Distribution

SPEAKER NOTE: Unlike a charitable remainder trust, the lead trust is not exempt from income tax or capital gains tax. Also, a charitable income tax deduction is generated only if the asset reverts to the grantor.

© 1993-2012 by WealthCounsel, LLC

An insurance trust has three components, similar to those found in a charitable remainder trust.

There is the grantor who creates the trust and provides the instructions that control it—that's you. You name a trustee who will manage the trust. And you name beneficiaries who will receive the proceeds when you die.

You can, of course, name anyone you wish as a beneficiary. However, to avoid any incidents of ownership, you cannot be the trustee. Many people choose a corporate trustee because of their experience with these trusts.

Not for Duplication
Or Distribution

INSURANCE TRUST

GRANTOR
(You)

TRUSTEE

BENEFICIARIES

- You Give Cash to Trust
- Up to $13,000 Per Year Per Beneficiary

Here's how the insurance trust works. You, the grantor, give money to the trust. But to avoid any gift tax consequences, and to make sure you have no incidents of ownership in the policy, you do it in a special way.

Currently, you can give up to $13,000* per year per person with no federal gift tax. So you can give up to $13,000 per year ($26,000 if married) to each beneficiary of your trust. But, instead of making the gift directly to the beneficiaries, you give it to the trustee for the benefit of each beneficiary.

Not for Duplication
Or Distribution

*SPEAKER NOTE: This amount is now tied to inflation and may increase from year to year.

© 1993-2012 by WealthCounsel, LLC

INSURANCE TRUST

GRANTOR (You)

TRUSTEE

- Trustee Notifies Beneficiaries of Gift

BENEFICIARIES

- Beneficiaries Acknowledge Gift

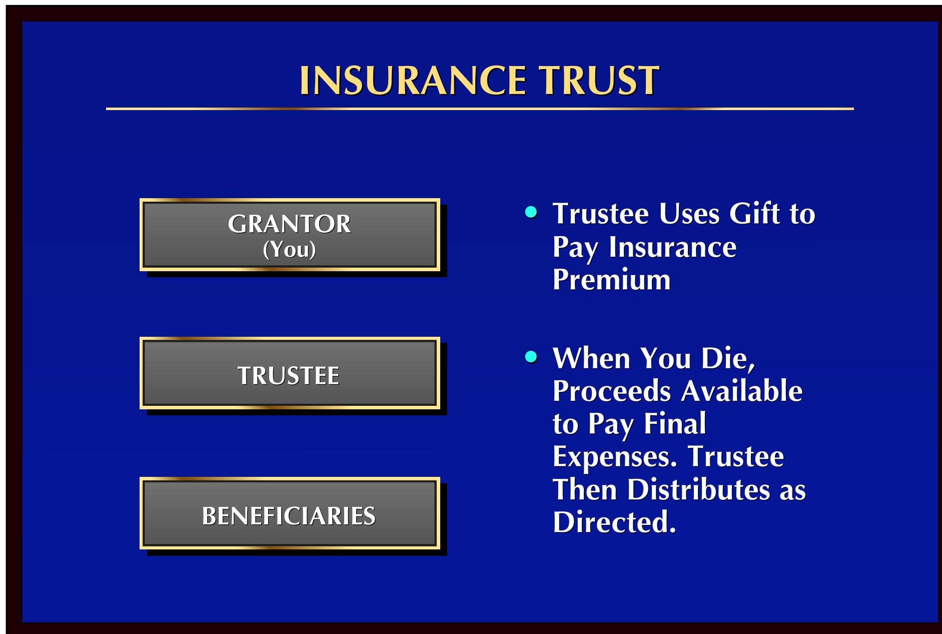
The trustee then notifies* each beneficiary that a gift has been received on his or her behalf and, unless the beneficiary elects to receive the gift now, the trustee will invest the funds—by paying the premium on the insurance policy.

Of course, for this to work, your beneficiaries must understand the consequences of taking the gift now. For example, it may reduce the trustee's ability to pay premiums.

Not for Duplication Or Distribution

*SPEAKER NOTE: This written notification is known as a "Crummey letter," named after the man who first tested it and whose technique is now approved by the IRS.

© 1993-2012 by WealthCounsel, LLC



The trustee then uses the money to pay for an insurance policy on your life. The trust is the owner and beneficiary of the policy.

When you die, the trustee collects the insurance proceeds and distributes them according to your instructions in the trust document. For example, the funds can be available to help pay your estate taxes, preserving much more of your estate for your beneficiaries.*

Not for Duplication Or Distribution

*SPEAKER NOTE: If the trustee pays the estate taxes directly with the insurance proceeds, the proceeds will be included in the grantor's taxable estate. Instead, the trustee can make a loan to the estate or purchase assets, providing liquidity to the estate.

© 1993-2012 by WealthCounsel, LLC