

Leveraging Your Trust



MetLife®

Do you know that at your death you can lose as much as 46% in 2006 of every dollar you own to federal estate taxes?¹ Estate taxes must be paid in cash and they must generally be paid within nine months of death.

As a result, your estate may need additional liquidity to prevent estate shrinkage. Why should your assets be eaten away by taxes when there are strategies that can reduce their impact and let you pass more to your beneficiaries? One of the simplest strategies utilizes a trust in conjunction with life insurance.

A trust may allow you to take advantage of your Federal Gift Tax Exclusion,² and therefore reduce your taxable estate. The first step is to “shelter” some or all of your gift exclusion amount (\$1 million) to fund an irrevocable trust. Alternatively, if you are a current beneficiary of an existing trust, the trust can be leveraged by using life insurance. In addition, annual gifts can be made to the trust to pay future premiums, if any. As long as the trust is properly drafted, the gifts to the trust can qualify for the annual gift tax exclusion. In either case, the trust may be able to purchase a life insurance policy on your life. In so doing, you may be able to accumulate assets, income tax-deferred, and provide a significant death benefit to your beneficiaries.

A Case Study: How Elizabeth Benefited from this Strategy

Elizabeth Johnson is 68 with two children, Julia and Nicole, who have families of their own. Elizabeth’s husband passed away in January 2003 and left an estate of \$6.5 million. Fortunately, the family did some estate planning with their attorney prior to Mr. Johnson’s death. As part of the plan, Mr. Johnson created a \$1 million irrevocable living trust, using his Federal Gift Tax Exclusion. Under this arrangement, the trust assets, including any growth on those assets would be excluded from Elizabeth’s and Mr. Johnson’s estate.



Use life insurance
to give more to beneficiaries.

Would She Have Enough Income?

Following her husband’s death, Elizabeth’s major concern was having enough income for the rest of her life. Elizabeth and her financial representative reviewed her entire portfolio to make sure that she first planned for her financial security. After that was taken care of, it was time to discuss Elizabeth’s and her children’s future, and how she could distribute her wealth.

How Could Elizabeth’s Assets Multiply by the Time They Reached her Daughters?

Elizabeth learned from her financial representative that she could leverage the trust created by her husband to benefit her children. If the trust used \$1 million to purchase life insurance on Elizabeth’s life, it could ultimately create a \$3 million death benefit,³ sheltered from income and estate taxes.⁴

Elizabeth Achieved her Objectives

Elizabeth had three goals: having enough income for the rest of her life, providing for her children and reducing the impact of estate taxes. She was on the right track having done some estate planning before her husband’s death. After his death, she moved to the next step – planning for her income and her children’s inheritance.

With the assistance of her financial representative, this is how she achieved her objectives:

- Retirement income: Elizabeth put a plan into place to ensure that she has enough income from her investment portfolio for the rest of her life.
- Passing on her wealth to Julia and Nicole: Elizabeth planned for her children's inheritance by leveraging her deceased husband's trust with life insurance. As long as the life insurance policy remains in-force, the policy will pay out a leveraged, tax-free death benefit.

- Reducing the impact of estate taxes: By using life insurance in the trust, the policy cash values were able to grow free from income tax and the proceeds paid at death will be excluded from Elizabeth's estate. In this way, she has reduced the impact of both income and estate taxes and will pass on more assets to her children and grandchildren.

Elizabeth put a plan in place that will provide enough income for retirement, while passing on as many assets as she can to her heirs. Now she feels satisfied that she has taken care of her and her family's future. ■

¹ The top federal estate tax rate is 46% in 2006, and will remain at 45% from 2007 through 2009. Though existing law repeals federal estate for one year (2010), they are scheduled to return in 2011 with a top bracket of 55%.

² Each individual is entitled, during life, to gift up to \$1 million free of federal gift taxes, called the Federal Gift Tax Applicable Exclusion Amount. Any portion of the Federal Gift Tax Applicable Exclusion Amount you use during your lifetime will reduce the Federal Estate Tax Applicable Exclusion Amount at your death.

³ For illustrative purposes only. This quote is based on a universal life policy, with a single premium. The client is quoted as standard health, nonsmoker. The death benefit is guaranteed. Performance may vary. If Elizabeth takes out withdrawals from her life insurance policy during her lifetime, they may be taxable.

⁴ Particular care must be exercised when the surviving spouse is a co-trustee or beneficiary of the trust and the proposed policy insures the surviving spouse's life. Pursuant to IRS Circular 230, MetLife is providing you with the following notification: The information contained in this document is not intended to (and cannot) be used by anyone to avoid IRS penalties. This document supports the promotion and marketing of insurance products. You should seek advice based on your particular circumstances from an independent tax advisor.

This document is designed to provide introductory information on the subject matter. MetLife Investors does not provide tax and legal advice.

Pursuant to IRS Circular 230, MetLife is providing you with the following notification: The information contained in this document is not intended to (and cannot) be used by anyone to avoid IRS penalties. This document supports the promotion and marketing of insurance products. You should seek advice based on your particular circumstances from an independent tax advisor.

Variable universal life insurance (VUL) is underwritten by MetLife Investors Insurance Company on Policy Form Series CLP001 and CP002 and MetLife Investors Insurance Company of California on Policy Form Series CCP00104 and CCP00204. Guarantee Advantage Universal Life (GAUL) is issued by MetLife Investors USA Insurance Company on Policy Form Series 5E-30-04 and, in New York, only by Metropolitan Life Insurance Company, New York, 200 Park Avenue, New York, NY 10166 on Policy Form Series 1E-30-04-NY. Legacy Advantage Survivorship Universal Life (LASUL) is issued by MetLife Investors USA Insurance Company on Policy Form Series 5E-32-05 and, in New York, only by Metropolitan Life Insurance Company on Policy Form Series 1E-32-05-NY. Universal Advantage Universal Life (UAUL) is issued by MetLife Investors USA Insurance Company on Policy Form Series 5E-31-05 and, in New York, only by Metropolitan Life Insurance Company on Policy Form Series 1E-31-05-NY. Corporate owned life insurance (COLI) is issued by New England Life Insurance Company on Policy Form Series NEV-14. All guarantees are based on the claims paying ability of the issuing insurance company. Products are distributed by MetLife Investors Distribution Company (MetLife Investors), 5 Park Plaza, Suite 1900, Irvine, CA 92614. November 2005.

Prospectuses for variable life insurance issued and/or distributed by a MetLife Investors insurance company, and for the investment portfolios offered thereunder, are available from MetLife Investors. The prospectuses contain information about the contract's features, risks, charges and expenses, and the investment objectives, risks and policies of the underlying portfolios, as well as other information about the underlying fund choices. Clients should read the prospectuses and consider this information carefully before investing. Product availability and features may vary by state.

MetLife Investors variable life insurance has limitations. There is no guarantee that any of the variable investment options in this product will meet their stated goals or objectives. The account value is subject to market fluctuations so that, when withdrawn or annuitized, it may be worth more or less than its original value. All product guarantees are based on the claims-paying ability of the issuing insurance company.

For a non-MEC policy, income taxes are due upon withdrawal, only to the extent that they exceed basis. For a MEC policy, income taxes are due upon withdrawal and if withdrawn before age 59½, a 10% penalty tax may apply. Loaned amounts are generally not subject to income taxation.

Loans or withdrawals will decrease the cash value and death benefit.

Life insurance is medically underwritten, so all candidates should be in reasonably good health. You should not cancel your current coverage until your new coverage is in force. Surrender charges may be due on an exchange of one contract for another. A change in policy may require an examination. Surrenders may be taxable. There may be partial and/or full surrender charges for early withdrawal from life insurance.

• Not A Deposit • Not FDIC-Insured • Not Insured By Any Federal Government Agency
• Not Guaranteed By Any Bank Or Credit Union • May Go Down In Value

have you met life today?®

MetLife®