



Dynasty Trust: PruLife® SUL Protector Provides Risk Free Funding of GST Exemption

One of the significant risks of a life-insurance-funded dynasty trust is the danger that premiums needed to maintain the policy will exceed the generation skipping transfer tax (GST) exemption amount. If, in future years, premium in excess of the GST exemption is required to maintain the policy, the transfer of the excess premiums could cause the dynasty trust to be subject to significant transfer taxes. Likewise, GST exemption allocated to a life insurance policy unlikely to remain in effect is essentially wasted. Fortunately, you now have a solution when faced with this scenario. Using PruLife® SUL Protector clients can secure a lifetime death benefit guarantee, while limiting the number of payments.¹

Facts: Your wealthy 49-year-old clients have been working with their advisors to devise estate planning strategies to pass their significant wealth to their descendants with minimum transfer tax costs. Since your clients' children have already inherited substantial sums from their grandparents, it has been decided that a GST-exempt trust will be established for the benefit of their children and future descendants. The clients' legal advisors have suggested that the GST exemption amount be used by the trustee to purchase a permanent life insurance policy. The PruLife® SUL Protector is especially well suited for dynasty trust funding because clients can secure a lifetime death benefit guarantee by paying a large single premium. Here is how it works.

Solution: The key to the success of dynasty-trust planning is to transfer assets today equal in value to the GST exemption and to leverage the growth of this principal sum. Generally, the most suitable assets for GST planning are those that have the potential for large appreciation in the future, but have small transfer tax value today. Life insurance is frequently identified by legal advisors as being an ideal asset to fund a dynasty trust because the death proceeds often exceed the sum of the premiums paid many times over.

When life insurance is purchased in a dynasty trust only the premium required for the policy are applied to the GST exemption and the applicable exclusion amount. At the death of the insureds, the death proceeds are removed from their estates as well as the estate of future descendants for as long as permitted by state legislation and the terms of the trust.

One of the significant risks of a life-insurance-funded dynasty trust has been the danger that premiums in excess of the GST exemption may be required to maintain the policy if policy performance is less than expected. With PruLife® SUL Protector this risk is eliminated. For example, with a single premium of \$1 million (and assuming no loans are taken against the policy's cash value) the attached illustration shows that we are able to purchase **\$10,000,000** PruLife® SUL Protector with a **GUARANTEED¹** lifetime death benefit on the 49-year-old clients. If a single premium of \$1 million is too large for your clients, you can suggest other limited pay premium structures while continuing to provide the lifetime death benefit guarantee¹. Finally, even if your clients initially choose to pay something less than the premium needed to guarantee¹ the coverage for life, the lifetime death benefit guarantee¹ can be fully restored by simply paying the required "catch-up" premium.

With PruLife® SUL Protector, clients can secure a lifetime death benefit guarantee², while limiting the number of payments.

ILLUSTRATION ON NEXT PAGE.

¹ Overfunding a policy may cause the policy to become a MEC which may have additional tax consequences.

² PruLife® SUL Protector is issued by Pruco Life Insurance Company in all states except New York where it is issued by Pruco Life Insurance Company of New Jersey. Both are Prudential Financial companies located in Newark, NJ. All guarantees are based on the claims-paying ability of the issuing company, and each company is responsible for its own financial condition and contractual obligations.

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751 Broad Street, Newark, NJ 07102-3777
IFS-A067947 Ed. 12/05 Exp. 12/07

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**Valued Clients, Male & Female, Both Age 49, Both Preferred Best
 \$10,000,000 PruLife® SUL Protector, Type A (Fixed) Death Benefit
 Cash Value Accumulation Test - Initial Annual Premium Outlay = \$1,000,000.00**

At the Illustrated Interest Rate and Current Charges, this policy will become a Modified Endowment Contract (MEC) in year 1 and will remain a MEC for the life of the policy.

Year	Age	Annual Premium Outlay	GUARANTEED ¹ Results Based On Minimum Interest Rate of 3.00% & Maximum Charges			Non-Guaranteed Results Based On Illustrated Interest Rate of 4.65% for 20 years, then 5.00% & Current Charges*		
			Contract Fund	Cash Value	Death Benefit	Contract Fund	Cash Value	Death Benefit
1	49	1000000	804340	742946	1000000 <	877661	816266	1000000 <
2	50	0 &	803250	746767	1000000 <	893313	836830	1000000 <
3	51	0 &	801619	750048	1000000 <	909598	858026	1000000 <
4	52	0 &	799307	752648	1000000 <	926362	879701	1000000 <
5	53	0 &	796139	754391	1000000 <	943584	901835	1000000 <
6	54	0 &	791914	755078	1000000 <	961239	924402	1000000 <
7	55	0 &	786389	752008	1000000 <	979290	944909	1000000 <
8	56	0 &	779293	747368	1000000 <	997695	965770	1000000 <
9	57	0 &	770336	740867	1000000 <	1016411	986942	1000000 <
10	58	0 &	759172	732158	1000000 <	1035377	1008363	1000000 <
Total		1000000						
11	59	0 &	745350	720792	1000000 <	1076655	1052097	1000000 <
12	60	0 &	728312	706211	1000000 <	1119035	1096932	1000000 <
13	61	0 &	707344	687698	1000000 <	1162420	1142773	1000000 <
14	62	0 &	681486	664296	1000000 <	1206664	1189474	1000000 <
15	63	0 &	649538	634803	1000000 <	1251568	1236833	1000000 <
16	64	0 &	610142	597863	1000000 <	1296903	1284624	1000000 <
17	65	0 &	561768	551945	1000000 <	1342412	1332589	1000000 <
18	66	0 &	502741	495374	1000000 <	1387810	1380443	1000000 <
19	67	0 &	431211	426300	1000000 <	1432784	1427872	1000000 <
20	68	0 &	344999	342543	1000000 <	1476954	1474499	1000000 <
Total		1000000						
21	69	0 &	241251	241251	1000000 <	1524936	1524936	1000000 <
22	70	0 &	116186	116186	1000000 <	1571319	1571319	1000000 <
23	71	0 &	0	0	1000000 <	1615180	1615180	1000000 <
24	72	0 &	0	0	1000000 <	1655296	1655296	1000000 <

< Indicates the No Lapse Guarantee will be in effect for the entire policy year.

& Non-guaranteed policy values are used to pay monthly charges, which continue to be deducted from the Contract Fund.

* This includes a non-guaranteed additional excess interest amount in years 21 and later.

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			Contract Fund	Cash Value	Death Benefit	Contract Fund	Cash Value	Death Benefit
25	73	0 &	0	0	10000000 <	1690173	1690173	10000000 <
26	74	0 &	0	0	10000000 <	1718106	1718106	10000000 <
27	75	0 &	0	0	10000000 <	1738445	1738445	10000000 <
28	76	0 &	0	0	10000000 <	1749992	1749992	10000000 <
29	77	0 &	0	0	10000000 <	1751739	1751739	10000000 <
30	78	0 &	0	0	10000000 <	1742844	1742844	10000000 <
Total		1000000						
31	79	0 &	0	0	10000000 <	1722621	1722621	10000000 <
32	80	0 &	0	0	10000000 <	1686121	1686121	10000000 <
33	81	0 &	0	0	10000000 <	1630207	1630207	10000000 <
34	82	0 &	0	0	10000000 <	1551142	1551142	10000000 <
35	83	0 &	0	0	10000000 <	1444879	1444879	10000000 <
36	84	0 &	0	0	10000000 <	1307254	1307254	10000000 <
37	85	0 &	0	0	10000000 <	1134079	1134079	10000000 <
38	86	0 &	0	0	10000000 <	920221	920221	10000000 <
39	87	0 &	0	0	10000000 <	654630	654630	10000000 <
40	88	0 &	0	0	10000000 <	329445	329445	10000000 <
Total		1000000						
41	89	0	0	0	10000000 <	0	0	10000000 <
42	90	0	0	0	10000000 <	0	0	10000000 <
43	91	0	0	0	10000000 <	0	0	10000000 <
44	92	0	0	0	10000000 <	0	0	10000000 <
45	93	0	0	0	10000000 <	0	0	10000000 <
46	94	0	0	0	10000000 <	0	0	10000000 <
47	95	0	0	0	10000000 <	0	0	10000000 <
48	96	0	0	0	10000000 <	0	0	10000000 <
49	97	0	0	0	10000000 <	0	0	10000000 <
50	98	0	0	0	10000000 <	0	0	10000000 <
51	99	0	0	0	10000000 <	0	0	10000000 <
52	100	0	0	0	10000000 <	0	0	10000000 <
Total		1000000						

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