

Exclusion Leverage Arrangement

Problem:

You have clients who are interested in funding a life insurance trust; however, they are already using the gift tax annual exclusions and do not want to redirect the gifts to fund the trust; or they are concerned that the beneficiaries cannot be trusted to waive their Crummey withdrawal rights.

Prospects:

- Individuals who have a need to purchase life insurance outside their taxable estate and want to have an Irrevocable Life Insurance Trust (ILIT) be the owner of the life insurance policy
- Individuals concerned that funding the life insurance trust will reduce the annual gifts to family members
- Individuals that want to avoid paying gift taxes on the transfers to the life insurance trust
- Individuals that want greater flexibility in the structuring of gifts to the ILIT

Solution:

In addition to the gift tax annual exclusion amount, each individual may currently transfer \$1 million of property under the gift tax applicable exclusion during his or her lifetime – without paying gift taxes. By using the gift tax applicable exclusion amount it is possible to transfer premium payments to a life insurance trust without subjecting the gifts to Crummey withdrawal powers and still avoid paying gift taxes on the transfer. Of course, the amount of gift tax applicable exclusion used will reduce the amount available as an estate tax applicable exclusion amount at death.

Benefits of the Gift Tax Applicable Exclusion:

- **Ongoing gifting** – Using the gift tax applicable exclusion does not reduce the gift tax annual exclusion.
- **Peace of mind** – Using the gift tax applicable exclusion does not require the trust beneficiaries to have an unrestricted right to access the transferred property, which, if exercised, could defeat the funding of the trust.
- **Flexibility** – The life insurance premiums may be structured as a limited-pay, or even single-pay scenario because the transfers are not limited to the gift tax annual exclusion.

Call our Advanced Marketing team to find out how the Exclusion Leverage Arrangement may solve your clients' estate planning concerns.

This training material has been prepared to assist our licensed financial professionals. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that Prudential is not rendering legal, accounting or tax advice. Such services should be provided by the client's own advisors.

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QUESTIONS? CALL ADVANCED MARKETING

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