



Multi-Generation Split Dollar

Multi-Generation Split Dollar refers to an arrangement in which the generation one (often grandparents) loan the premiums to an irrevocable life insurance trust to buy a life insurance policy on the life of a member of generation two (often a child or spouse) for the benefit of the grandchildren or future generations. The arrangement is structured in compliance with Internal Revenue Code Regulations.

Target Client Profile

- Have a significant taxable estate, generally in excess of \$40,000,000
 - Taxable estate includes sizable assets with significant capital gain such as business interests and negative basis real estate
- Aim to preserve their financial legacy for their heirs
- Are concerned about gift, estate and generation skipping taxes
- Recognize the leverage offered by life insurance as a wealth transfer tool
- Have executed wealth transfer strategies, but seek additional planning options

Advantages

- Reduction or elimination of gift taxes
- Reduction or elimination of estate taxes
- Reduction of generation-skipping transfer consequences
- Shift significant wealth out of taxable estate
- Generation one is able to assist the future generations with family protection and estate planning
- The strategy may still effectively be implemented when Generation one is uninsurable

Highlights

- Traditional planning strategies aim remove future appreciation from a taxable estate, but the principal remains in the taxable estate.
- Multi-Generation Split Dollar aims to remove future appreciation and principal from the taxable estate
- Planning techniques permit means for continued control and continued income via loans

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