ADVANCED PLANNING

Using a Survivorship Standby Trust

Funded with Life Insurance

CHALLENGE: Find an estate planning protection solution for you and your spouse that also meets your needs during your lifetime. You're also concerned about using an irrevocable solution that can't be changed.

SOLUTION: A Survivorship Standby Trust (SST) funded with survivorship life insurance

LIFETIME NEEDS

- Control of policy
- Flexibility to access cash value during your lifetime
- Supplemental retirement income, other needs, and emergencies

SURVIVORSHIP STANDBY TRUST (SST)

- Accessible income while both spouses are alive
- Estate protection and liquidity
- Minimized income, estate, and gift taxes

WEALTH TRANSFER NEEDS

- Protect your heirs
- Provide liquidity after the second death
- Transfer wealth tax-efficiently

Mike = Owner

HOW IT WORKS: Mike and Carla, both age 45, married with two children. Their financial professional recommends the SST knowing that Mike has a shorter life expectancy due to a mild, chronic condition.

- Mike applies for and owns a **survivorship life insurance policy** insuring himself and Carla.
- When Mike purchases the policy, he **creates a trust** and names it the contingent policyowner and primary beneficiary, thus putting it on "standby" to own the policy upon his death. Carla is named as a beneficiary of the trust.

1 Survivorship Policy

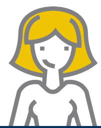
Wealth Accumulation & Access
As the owner, Mike has full control of the policy and access to its cash value.

During Mike's Lifetime

Upon Mike's death, the policy passes to the Standby Trust.

2 Standby Trust

Wealth Accumulation & Access
The trustee can make distributions to Carla during the remainder of her lifetime, providing her with indirect access to the policy values.[1, 2, 3]



Carla = Trust Beneficiary

After Carla's Death

3 Death Benefit

When Carla dies, the Standby Trust receives the death benefit free of both income and estate taxes.[4]

Wealth Transfer
The money is managed for the benefit of Mike and Carla's children.

Children

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WHAT HAPPENS IF CARLA DIES FIRST?

Should Carla die first, the SST strategy would be adjusted to ensure the couple's goals would still be met. In this scenario, Michael could gift the policy to an irrevocable life insurance trust (ILIT) for the couple's children, which would keep the death benefit out of his taxable estate.[5]

CONTACT YOUR FINANCIAL PROFESSIONAL

If you'd like to explore how a Survivorship Standby Trust strategy might work for you and your spouse, contact your financial professional to get started.

[1]Cash values are accessed by loans and withdrawals, which will reduce policy cash values and the death benefit and may have tax consequences.

[2] If a Survivorship Standby Trust owns a survivorship policy and premiums are still due at the death of the grantor spouse, the trust will need funds to continue to pay the life insurance premiums. The non-grantor spouse cannot make direct or indirect contributions to the trust. You should plan ahead and discuss with your own legal counsel how to plan for this contingency. One strategy may be for the grantor spouse to leave a testamentary bequest to the Survivorship Standby Trust.

[3] Access to any policy cash values is subject to the terms of the trust. The non-spouse beneficiary should not have any rights or powers under the terms of the Survivorship Standby Trust that could cause inclusion of the policy in his or her estate. Your attorney must draft the appropriate provisions based on your specific needs and circumstances.

[4] Per IRC Section 101(a).

[5] The policyowner must live at least three years after the transfer or the death benefit proceeds will be included in the owner's estate. There may also be federal gift tax consequences associated with the funding of an ILIT.

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