## **Multi-Generational Split-Dollar**

A Renewed Opportunity After the Estate of Levine vs. Commissioner

## What is Multi-Generational Split-Dollar?

- An estate planning strategy in which Grandparent ("G1") establishes an Irrevocable Life Insurance Trust ("ILIT") for the benefit of Grandchildren ("G3"), which purchases a life insurance policy on the life of Child ("G2").
- As consideration for the life insurance premiums advanced, G1 takes back a "receivable" under which G1 is entitled to the greater of (i) premiums paid; or (ii) the cash value of the life insurance policy at the time of G2's death.
- When G1 dies, the receivable is included as an asset in G1's estate and is subject to estate tax.

The 70's <sup>+</sup> Have significant taxa client with a \$40M taxable estate trate life insurance policies on his two cipated deaths (age 90), the total de ree of any transfer tax. owed Client to freeze the growth on	ble estate <b>Case St</b> funded a gen daughters (ag eath benefit is \$10M dollars	Have alr Have a	ready done convent ing-tax-exempt trust ) with a combined dea ed to be over \$35 m	ional estate planning strategi ("ILIT") with \$5 million. The IL ath benefit of \$12.8 million. At h illion, which will pass to Clien
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owed Client to freeze the growth on	\$10M dollars	of estate value		
		or estate valu	ie (with the potential f	or estate reduction as well) whi
eirs from transfer taxes and potential o	creditors for m	any years into	o the future.	,
			The fair market value of the Split	
			Dollar Receivable is valued at Client's death and is included in his	
	Client (G1	.)	estate at h	iis death.
\$5 million Insurance Prei	for miums	Split-Dollar Receivable		
\$5 million Insurance Premiums (\$2.5 million per daughter)			\$35 DB a dea	million total t daughters' ths (age 90)
Policies insuring 2 daughters (G2) for approx. \$12.8 million in year 1	ILIT Holds Policy	;	Death Benefit (DB)	Beneficiaries Grandchildren (G3)
	eirs from transfer taxes and potential o \$5 million Insurance Pren \$5 million Insurance Premiums (\$2.5 million per daughter) Policies insuring 2 daughters (G2) for approx. \$12.8 million in year 1	eirs from transfer taxes and potential creditors for m Client (G1 \$5 million for Insurance Premiums (\$2.5 million Insurance Premiums (\$2.5 million per daughter) Policies insuring 2 daughters (G2) for approx. \$12.8 million in year 1 Summary of	eirs from transfer taxes and potential creditors for many years into Client (G1) Split-Dollar Split-Dollar Receivable Split-Dollar Receivable Split-Dollar Receivable LIT Holds Policies insuring 2 daughters (G2) for approx. \$12.8 million in year 1	eirs from transfer taxes and potential creditors for many years into the future. The fair market v Dollar Receivable Client (G1) \$5 million for Insurance Premiums (\$2.5 million Insurance Premiums (\$2.5 million per daughter) Policies insuring 2 daughters (G2) for approx. \$12.8 million in year 1 Summary of Benefits

## iefits Summ

- Potential estate tax savings for G1
- Estate tax free DB proceeds for G3
- Estate & tax planning completed for G2 for benefit of G3