SCHECHTER

Multi-Generational Split-Dollar

A Renewed Opportunity After the Estate of Levine vs. Commissioner

What is Multi-Generational Split-Dollar?

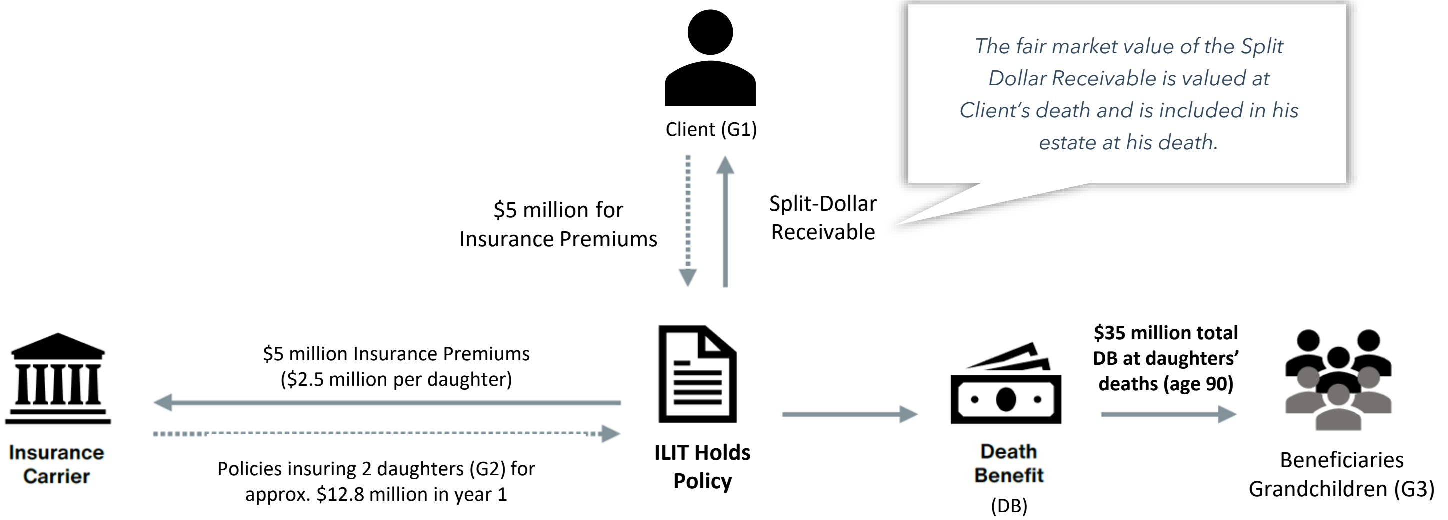
- An estate planning strategy in which Grandparent ("G1") establishes an Irrevocable Life Insurance Trust ("ILIT") for the benefit of Grandchildren ("G3"), which purchases a life insurance policy on the life of Child ("G2").
- As consideration for the life insurance premiums advanced, G1 takes back a "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.

Who Should Consider? Clients who…

- *Are in their late 70's⁺*
- *Have significant taxable estate*
- *Have already done conventional estate planning strategies*

Case Study

- An 80-year-old client with a $40M taxable estate funded a generation-skipping-tax-exempt trust ("ILIT") with $5 million. The ILIT purchased separate life insurance policies on his two daughters (ages 52 and 54) with a combined death benefit of $12.8 million. At his daughters' anticipated deaths (age 90), the total death benefit is approximated to be over $35 million, which will pass to Client's grandchildren free of any transfer tax.
- This strategy allowed Client to freeze the growth on $10M dollars of estate value (with the potential for estate reduction as well) while protecting his heirs from transfer taxes and potential creditors for many years into the future.



Summary of Benefits

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