



# Leveraging Prior Gifts

## Hypothetical Case Study

### Situation

Beginning January 1, 2019, the individual estate and gift tax exemptions were increased to \$11.40 million. You and your spouse have already taken advantage of allowable gifting exclusions with a gift to a trust you made in the past that has grown to \$5,000,000.

### A Recommendation <sup>1</sup>

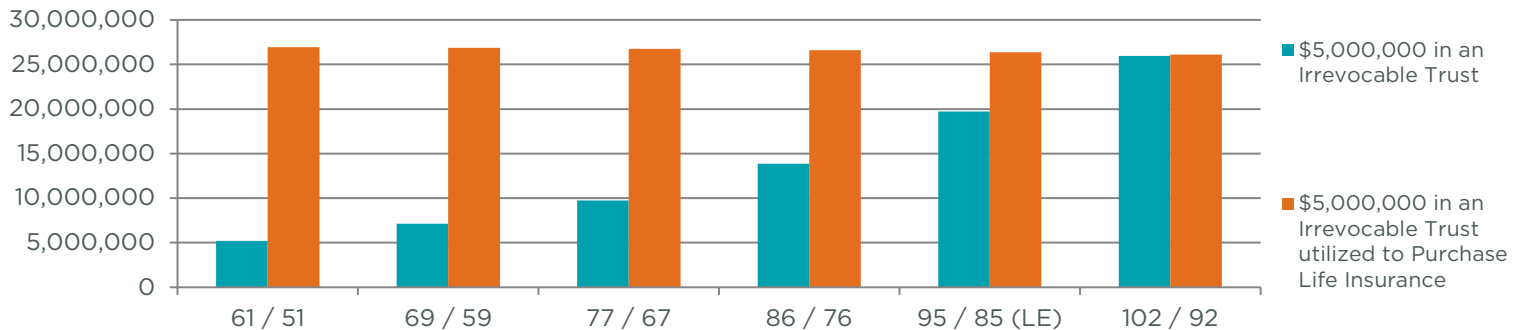
By utilizing all of or a portion of \$5,000,000 to purchase life insurance, you may be able to increase the value of the irrevocable life insurance trust (ILIT). For example, assuming the ILIT earns a net after-tax rate of return of 4.0%, the trust can purchase a policy with a premium of \$200,000 and a guaranteed death benefit of \$21,963,478 at life expectancy.

### Potential Benefit

By purchasing life insurance, at your joint life expectancy (LE) of 85, the ILIT value is \$26,374,260. With this approach, you may increase the amount of wealth transferred to your family by \$6,643,815.

Year	Age End of Year (EOY)	\$5,000,000 in an Irrevocable Trust		\$5,000,000 in an Irrevocable Trust utilized to Purchase Life Insurance				Increase in Value to Heirs (EOY)
		Value of Trust (EOY)	Internal Rate of Return (EOY)	Value of Trust Investments (EOY)	Value of Trust Death Benefit (EOY)	Total Value in Trust (EOY)	Internal Rate of Return (EOY)	
1	61 / 51	5,200,000	4.00%	4,992,000	21,963,478	26,955,478	439.11%	21,755,478
9	69 / 59	7,116,559	4.00%	4,915,338	21,963,478	26,878,816	20.55%	19,762,257
17	77 / 67	9,739,502	4.00%	4,810,420	21,963,478	26,773,898	10.37%	17,034,395
26	86 / 76	13,862,349	4.00%	4,645,506	21,963,478	26,608,984	6.64%	12,746,635
35	95 / 85 (LE)	19,730,445	4.00%	4,410,782	21,963,478	26,374,260	4.87%	6,643,815
42	102 / 92	25,963,920	4.00%	4,161,443	21,963,478	26,124,921	4.02%	161,002

**At your joint life expectancy of 85, the ILIT value is \$26,374,260. With this approach, you may increase the amount of wealth transferred to your family by \$6,643,815.**



The example assumes that the ILIT pays taxes on trust investment earnings and gain, i.e. the ILIT is not a defective grantor trust.

Guarantees are subject to the claims paying ability of the issuing insurance company

All numbers are dollars in U.S. currency. The hypothetical case study assumes: Male, Preferred Non-Smoker and Female, Preferred Non-Smoker; the trust earns 4.0 percent net of fees and taxes. Results are for illustrative purposes only and should not be deemed a representation of past or future results.

Before establishing an ILIT please consider the costs of creating and maintaining an ILIT, that life insurance qualification generally requires medical and financial underwriting and transfers to an ILIT are irrevocable and you may not possess any incidents of ownership in the life insurance policy owned by the ILIT.

ILIT assets may be insufficient to pay the premiums. In certain situations, additional out-of pocket contributions to the ILIT may be required to maintain the desired level of insurance protection.

Gifts in excess of the lifetime exemption will be taxable gifts.

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# FACT FINDER: LEVERAGING PRIOR GIFTS

## Insured Information

Client Name	
Client Age	
Client Gender	
Client Underwriting	
Survivorship?	
Spouse Name	
Spouse Age	
Spouse Gender	
Spouse Underwriting	

## Trust Information

Current Trust Balance	
Trust Earnings Rate	

## Insurance & Trust Assumptions

Premium	
Premium Years	
Assumed Death Benefit	
Policy Guarantee Age	
Return of Premium (Yes/No)	
Insurance Purchase Type: Use Income Only or Use Entire Gift?	

## Agent Information

Name	
Company	
E-Mail Address	
Phone Number	