

NAFEP

The program described in this brochure is offered and supported by independent associates of The National Association of Financial and Estate Planning (NAFEP). NAFEP was created for the purpose of developing the best financial, estate and business planning tools available in the country today. It has a unique and prestigious Board of Advisors to guide the Association with expert advice and consulting in estate planning, business planning, the law, taxation, accounting and finance (see the "NAFEP" brochure for more details).

NAFEP develops various estate and business programs, and then teaches its associate members how to implement them for their clients. Associate members who successfully complete NAFEP and/or ACSFP* training and testing receive the NAFEP Certified Estate Advisor® (CEA®) or the ACSFP* CSFP - Chartered Senior Financial Planner designation and certificate. They also have the full research and consulting resources of NAFEP to support them as they implement their clients' special strategies and tools. The associate members then work with a knowledgeable attorney for final client planning recommendations and legal document creation.

NAFEP handles more estate planning clients in one year than most estate planning attorneys see in a life time. And many NAFEP clients have their own attorneys and CPAs review their NAFEP estate plan. This independent evaluation has happened thousands of times, and provides an intensive level of peer review to help ensure no flaws are inherent in NAFEP programs. This broad client experience and peer review ensures the highest quality and service.

For More Info About NAFEP
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* CSFP-Chartered Senior Financial Planner is a certification from the Association of Chartered Senior Financial Planners. NAFEP recognizes the CSFP-Chartered Senior Financial Planner as a qualification for NAFEP membership.

NAFEP Products & Services

- ✓ Premier I Living Trust. Basic Family Trust.
- ✓ Premier II Life Estate Trust. Asset Protection Family Trust.
- ✓ Premier III Childrens Trust. Irrevocable Fund For Heirs.
- ✓ Premier IV IRA - LLC. Enhancement for IRAs.
- ✓ Premier V Life Insurance Trust. Estate Tax Planning.
- ✓ Premier VII Self Directed 401(k). The one.k.
- ✓ SDISSM Self Directed Installment Sale.
- ✓ CSSSM Cost Segregation Study.
- ✓ 1031XSM 1031 Exchange Strategy.
- ✓ 1031 RescueSM
- ✓ Limited Liability Company. Business Entity For All 50 States.
- ✓ C And Sub S Corporations. Business Entity For All 50 States.
- ✓ Nevada Corporations. Special Limited Liability For All 50 States.
- ✓ Miscellaneous. Advanced Gift & Estate Tax Planning, Wills, Power Of Attorney, Medical Power Of Attorney, Advance Medical Directive And Guardianship Appointment For Minors.



NAFEP programs are offered in your area by:

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Insurance Trust

PREMIER V

- A Powerful
- Estate
- Planning
- Tool



NOTE: The program described in this brochure was developed by the legal counsel for The National Association of Financial and Estate Planning (NAFEP), and is offered and supported by its associate members.

PREMIER V INSURANCE TRUST

The Premier V Insurance Trust is an excellent means to transfer large sums of wealth to your heirs, totally free of gift, estate and/or other forms of death taxes. It can also provide a means to pay the death taxes on larger estates. Either goal can be met with an easy installment plan in the form of insurance premiums.

ESTATE PROBLEMS AND GOALS

There are four estate planning issues addressed by the Premier V Insurance Trust, also known as an Irrevocable Life Insurance Trust (ILIT):

First. In probably a majority of cases Americans name themselves as the owner of their own life insurance policies. This is a mistake in cases where their estate is likely to exceed the maximum amount of death tax exemptions which are available. Both federal and state tax laws subject estates to estate, inheritance and capital gains taxes (capital gains taxes by not allowing a full step-up in basis on the estate). If the insured person is the owner of his or her own policy, the death benefit is included in his/her estate. The death benefit often pushes the estate well above the exempt amounts. Simply naming the spouse of the insured person as the policy owner may not help either. That puts the death benefit in the spouse's estate, which may accomplish nothing more than to move the taxes over to that estate.

Second. Even without life insurance an estate may be larger than the death tax exemptions and subject to substantial taxation. That taxation can have a secondary or side effect that is very negative. For example, suppose that an estate owes several hundred thousand dollars in death taxes. The estate may have plenty of net worth, but may consist of property which cannot be easily or quickly liquidated, especially at full value. The tax laws allow the estate only nine months to pay estate and inheritance taxes. The heirs are often forced to start a fire sale of the estate's assets to meet the deadline. This forced liquidation may lose a lot more money on top of the high death taxes. This problem is sometimes so severe that the estate literally gets wiped out.

Third. You do not want your heirs to have access to a large amount of money all at once, or before reaching certain age milestones, or have the money become subject to the creditors of your heirs or to their divorce.

Fourth. You would like to leave more to your heirs than your present estate allows, so you plan to use life insurance as a "leveraged" mechanism to create the inheritance. But doing so drives your estate into the taxable range or causes one of the other problems mentioned above.

SOLUTIONS

The Premier V Insurance Trust is an effective and affordable way for you to solve these problems or to make that big gift to your heirs, tax free to you and them. This is done by placing life insurance inside a special trust or by arranging for the trust to purchase the insurance from the outset. Here is how it works:

The trust is setup by you the creator, and is administered by an independent trustee or by one of your adult heirs. The insurance policy in the trust covers the life of either one person (married or single), or the lives of two spouses in a joint, last to die arrangement. The trust is the owner and the beneficiary of the policy. In order to conform with estate and gift tax laws the trust must pay the premiums on the policy, but the creators usually provide the required funds.

The trust can contain provisions which allow the death benefit to cater to any of your family and estate planning goals. For example, the trust could specify that your children could get only 1/3 of their share at age 21, then another 1/3 at age 25, etc. The trust could specify that your spouse is to be cared for life from the death benefit, with the balance of trust funds going to your children with certain specified controls.

You the creator will provide the trust with gifts of cash, which the trust needs to pay the life insurance premiums. With proper planning these gifted amounts will not be subject to gift taxes. Under gift tax laws the money is treated initially as a gift to your heirs. They must be allowed to take the money for their own personal use if they want. If they could not touch the money it would not be a real gift. But your heirs will understand the strategy you are pursuing and know if they leave the money in the trust then the trustee will pay for the insurance policy on your life. Each year you



place the needed funds into the trust. Each year the trustee writes the heirs to advise them that they have a gift in the trust, but they have only 30 days to claim it. When and if the heirs don't claim any of their gift during the 30 days the trustee makes the premium payment.

When the death benefit is paid to the trust the entire amount will be excluded from taxation in your estate. This is because the trust, representing your heirs, is an independent owner of the policy. This strategy could literally yield a death benefit of millions of dollars and yet be totally free of death taxes to your heirs. Yet the premiums you paid might only be a fraction of the death benefit.

QUESTIONS

What about gifting existing life insurance into the trust? This can be done although there are potential drawbacks. If the insured dies within three years of making the gift the death benefit will be included in the insured's taxable estate. Another problem could be that the cash benefit in the policy leads to a gift tax. In both cases it may be worth using the old policy anyway, but an insurance specialist or estate planner should be consulted first.

Can the creator, the insured, also be the trustee? There are so many limitations and problems with this arrangement that neither the insured nor the spouse should ever be trustee. The trustee must be someone independent of you or be one of your adult, non-spouse heirs.

How is the trust administered? The trustee operates according to the instructions that the you place in the trust. The trustee takes care of the written notifications to the beneficiaries and pays the premiums. When the insured dies the trustee will follow the further instructions such as providing liquid funds to pay your death taxes, providing for a handicapped person, minor children, a spouse, etc. The beneficiaries to the trust, your heirs, have full enforcement powers of the terms of the trust.

What insurance company is used? That is up to you. If you don't have an insurance specialist then a NAFEP Member can recommend someone. But no specific insurance company, agency or broker is endorsed by NAFEP.