



GENERATIONAL Split Dollar

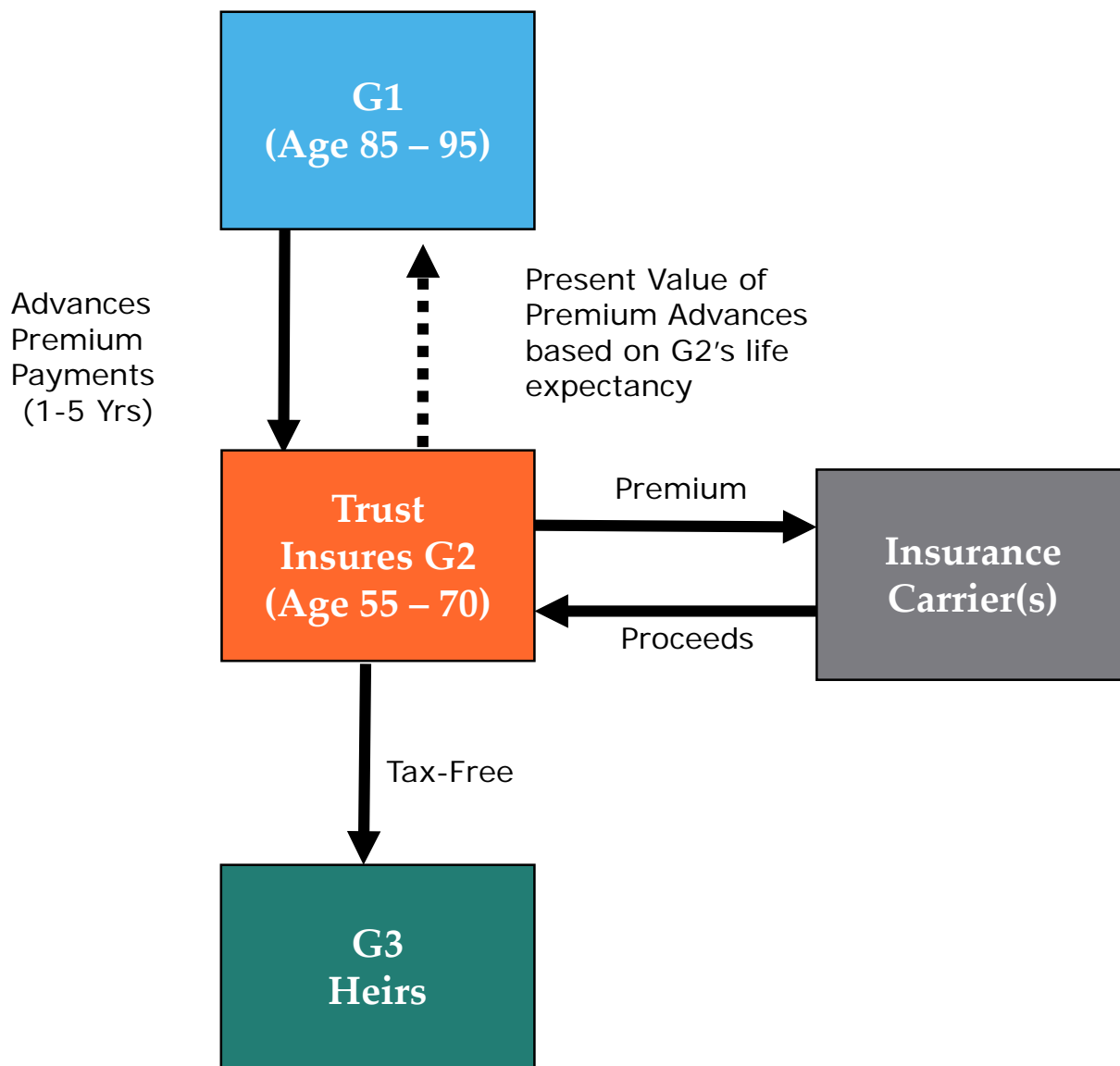
Split Dollar is a technique that shares the costs and benefits of a life insurance policy between two entities. A Generational Split Dollar approach allows a senior generation (G1) to advance premiums to a trust that insures the next generation (G2) with a potential for significant wealth planning benefits.

How it Works?

- Ultra-Affluent families are often seeking additional wealth transfer techniques after they have exhausted ILIT's, IDGT's, GRAT's, and gifting opportunities.
- G1 loans large premiums under a split dollar arrangement to a trust insuring G2 (usually paid a single premium or over 4-5 years)
- G1 is typically aged 85+ so there is a relatively short life expectancy
- Since G2 has a much longer life expectancy than G1, theoretically only the present value of future premium payments will be included in G1's estate at death
- This potential discounted value of premium advances may be a substantial wealth transfer benefit
- **See the Recent Tax Court Ruling in favor of taxpayer in "Estate of Clara M. Morrissette et al v. Commissioner, 146 T.C. 11 (April 13, 2016); Treasury Regulations Section 1.61-22**



GENERATIONAL Split Dollar



In “Estate of Clara Morrissette et al v. Commissioner”, Clara Morrissette advanced \$29.9M in premium dollars and only \$7.497M was includable in her estate. See full ruling for details

HEIRMARK DOES NOT PROVIDE TAX OR LEGAL ADVICE. PLEASE SEEK YOUR OWN QUALIFIED LEGAL AND TAX ADVISORS FOR SPECIFIC ADVICE AND RECOMMENDATIONS.



Disclosures

This is an overview of a complex planning strategy. HeirMark does not provide tax or legal advice. Please consult your own attorney or other qualified legal/tax advisors for specific advice regarding your unique situation.

The example provided is not representative of all clients' experiences and are not indicative of any future performance or results.

File #: 2001-2016