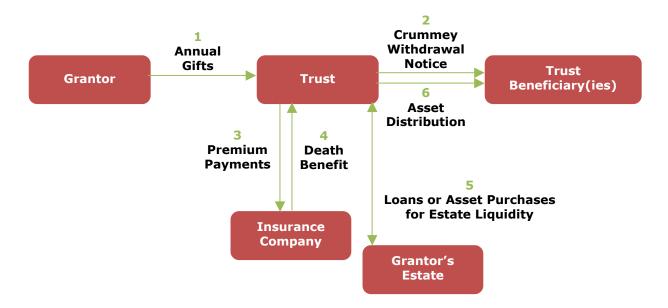
## Irrevocable Life Insurance Trust in Action

## **How Does an Irrevocable Life Insurance Trust Work?**



- 1. The grantor makes an annual gift to the irrevocable life insurance trust sufficient to pay the premiums on the life insurance policy owned by the trust.
- 2. The trustee provides a notice to the trust beneficiary(ies) of the annual trust contributions subject to withdrawal, qualifying the gift for the annual gift tax exclusion.
- 3. Assuming the trust beneficiary(ies) do not exercise their withdrawal right, the trustee then uses the gift to pay the life insurance premiums.
- 4. When the grantor/insured dies, the life insurance death benefit passes income and estate tax free to the trust.
- 5. If needed for estate liquidity purposes, the trustee can loan money to the estate or purchase assets from the estate.
- **6.** Finally, the trust assets are distributed to the trust beneficiary(ies) according to the terms of the trust document.

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