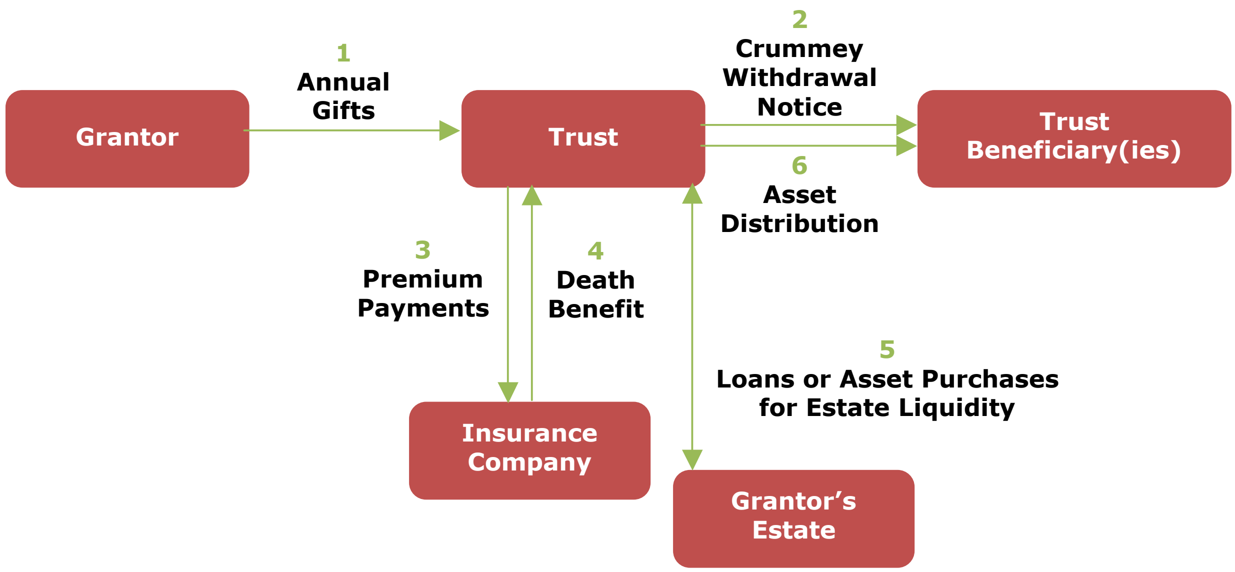
Irrevocable Life Insurance Trust in Action

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.