

Irrevocable Life Insurance Trust

John and Jane Smith

Ingwersen & Taylor

John Smith Irrevocable Life Insurance Trust

Descendants have "Crummey Powers" which enable contributions to the trust to qualify for "annual gift tax exclusions" – currently \$13,000

Lifetime Trust

The Trustee may make distributions to Jane and the children for their support

Upon John's Death

Family Trust

- Jane and the children may receive income and principal for their support
- Jane can withdraw 5% of the trust for any reason, annually
- Jane may appoint the property during her life or under her will to almost anyone she chooses

Upon Jane's Death

Descendants' Separate Trusts

- The children may receive income and principal for their support
- At age 25, each child receives 1/3 of his/her trust
- At age 30, each child receives 1/3 of his/her trust
- At age 35, each child receives the balance of his/her trust

Child #1

Child #2

Child #3

Result: The Insurance Proceeds Are Received By The Children Estate and Gift Tax Free