

GNWAM07-37  
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## A Broader View of Legacy Planning

### CUSTOMER PROFILE

- Unmarried person who is primary beneficiary of generation skipping trust
- Trust assets in excess of \$10 million
- Little other net worth

### LIFE INSURANCE

- More than \$1 million for estate conservation purposes to be owned by trust
- Lifetime FlexPlus<sup>SM</sup> universal life insurance policy

### THE CHALLENGE

A wealthy grandparent funded an irrevocable trust with real estate and made their grandchild the beneficiary. The grandchild would receive income for life. At death the trust proceeds would pass to the grandchild's heirs. If the grandchild had no heirs, the trust proceeds would go to charity. The trust applied for a large life insurance policy on the grandchild for estate conservation purposes. The grandchild had few other assets. Is there a reason for the trust to own life insurance on the grandchild, since the trust assets will only be included in his taxable estate if he dies leaving heirs?

### HOW WE PLACED THE BUSINESS

*The first step* was to determine the grandchild's interest in the trust. The attorney who represented the trust (and the family) provided us with a letter detailing their estate planning objectives, the reasons he had recommended the coverage, and how the trust worked. We also reviewed parts of the trust agreement to verify the information provided.

*The second step* was to determine the value of the trust assets. Estimates provided on the application and supporting documents varied. Once we got the list of assets, the reason for this became clear: The assets consisted largely of rental properties in an area where values had risen sharply in the years since the properties were gifted to the trust. One of the estimates had not considered this increase.

*The third step* was to determine whether the amount of coverage applied for was reasonable. If the grandchild died leaving heirs, the value of the trust would be included in his taxable estate. There was no way for anybody to know whether he would eventually have heirs, and, if he did, whether they would outlive him. In this case, we helped underwriting determine that the risk of loss was sufficient to justify coverage in the amount requested.

### RESULT

The agent's hard work in gathering information and the cooperation of the client's legal counsel helped us to piece together the puzzle of this case. The end result was that the trust was able to obtain the amount of life insurance coverage it needed to insure the beneficiary.

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