



## The Needs Analysis

### Suitability Concerns for the Trustee

While the trustee is charged with carrying out duties as authorized and dictated by the trust document, the overriding consideration is the fact that he or she is acting in a fiduciary capacity in handling assets for the trust beneficiaries. To fulfill fiduciary responsibilities, a trustee should make all short and long-term decisions in the best interests of the beneficiaries.

It is important, when determining suitability of trust assets, the trustee understands and documents the goals and objectives of all of the trust beneficiaries.

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***Performance Evaluation for Trust Owned Life Insurance***  
is a turnkey process focused on risk assessment,  
needs analysis and product efficiency.

Trust objectives change. Products improve in design and efficiency.  
Conduct an annual *Performance Evaluation* on trust-owned life insurance portfolios.

**Performance Evaluation. An expected service. A fiduciary process.**

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### **Eight Characteristics of a Good Trustee**

*An excerpt from Leimberg's Think About It, Stephan A. Leimberg, JD, CLU, 2005*

The selection of trustee is one of the most important decisions a grantor makes. If the trustee selected is not a suitable choice, the trust's effectiveness may be diminished (or in a worst case scenario its purpose defeated) no matter how carefully the trust document is prepared or how clearly the client's intentions are expressed.

The perfect trustee would have all of the following eight characteristics:

1. Competence
2. Ability to act in the best interest of the beneficiaries.
3. Understanding of the grantor's objectives and knowledge of beneficiary's needs.
4. Knowledge of the subject matter of the trust
5. Experience
6. Availability and willingness to serve
7. Proximity to beneficiary
8. Ability to serve without conflict of interest

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Becky and Jim Webber have a gifting strategy for the Webber Family Irrevocable Trust: each gifts \$11,000 to the trust for each of their three children. The \$66,000 transfer out of their estate funds a \$6,000,000 life insurance policy owned by the trust.

Early last year, Robyn, their youngest daughter died, leaving her husband, Tom, and two boys. Tom and Robyn relied on two incomes to fulfill their financial goals, which includes college tuition for the boys. The boys are now trust beneficiaries, and their needs have changed.

The Trustee, with the help of a qualified financial advisor, determined a more suitable vehicle for Tom's needs would be a more liquid securities-based vehicle. Concurrently, they conducted a *Performance Evaluation* of the existing trust-owned life insurance policy.

## The Changing Need

### Original Need

Maximize \$66,000 Gift  
 - 3 Equal Beneficiaries

### Updated Need

Short Term Need: \$11,000 College Funding for next 10 years  
 Long-Term: Maximize \$44,000 Gift for 2 Beneficiaries  
 Long-Term: Maximize \$11,000 Gift for 1 Beneficiary  
 - Continue full starting in year 11

## Policy Performance as of 2/1/2008

Premium Outlay		Cash Surrender Value*			Death Benefit		
Annual	Years	Current	10 years	25 years	Face Amount	Guaranteed	Projected
\$66,000	30	\$ 541,075	\$ 990,773	\$ 2,625,992	\$6,000,000	6 years	to Maturity

## Proposed Strategy

1. Withdraw \$110,000 from the current policy (half of the gifts made to Robyn) and put in a securities-based vehicle for college tuition funding.
2. Continue to fund \$11,000 into the college fund.
3. Transfer remaining \$431,075 into a new life insurance policy.
  - a. \$5,000,000 death benefit; \$55,000 premium
  - b. Increase death benefit to \$6,000,000 in policy year 10; funding \$66,000

Global Life Insurance Co ▪ Survivor UL with Lifetime No-Lapse Guarantee Death Benefit utilizing unique Additional Term Rider in policy year 11

Premium Outlay		Cash Surrender Value*			Death Benefit		
Annual	Years	Year 1	10 years	25 years	Years 1-10	Years 11+	Guaranteed
\$ 55,000	1-10	\$263,771	\$697,651	\$ -	\$5,000,000	\$6,000,000	Lifetime
\$ 66,000	11+						