

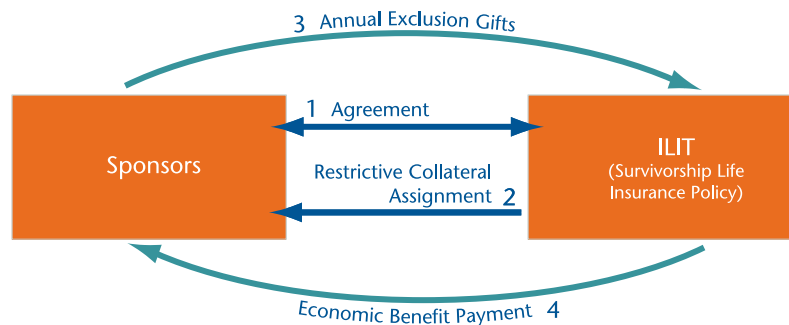


Wealth Transfer

Private Split Dollar

Wealth transfer strategies help ensure that your estate will be distributed the way that *you* choose. To support that goal, many people use a *survivorship* life insurance policy owned by an irrevocable trust to assure that their estate is passed on to the next generation without reduction for estate taxes.

A private split dollar strategy allows you to maximize the use of available gift tax annual exclusions. Gifts to the irrevocable trust are measured by the amount of economic benefit (a term insurance cost), instead of the full policy premium. With *survivorship* life insurance policies, this cost is very low when compared with the entire policy premium.

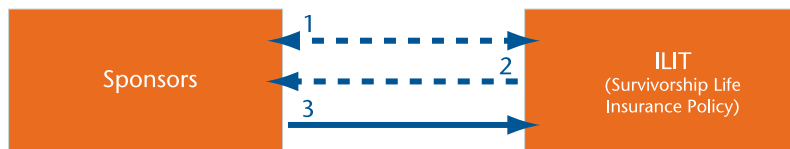


How it works

1. Sponsors (husband & wife) enter into private split dollar agreement with the irrevocable life insurance trust (ILIT). ILIT purchases a survivorship life insurance policy with a limited payment period – usually ten years. Sponsors pay the premium for the life insurance policy owned by the ILIT (ILIT is beneficiary).
2. ILIT collaterally assigns certain policy values to the sponsors.
3. Sponsors gift economic benefit cost to ILIT using a gifting procedure called “Crummey.”
4. ILIT reimburses sponsors for economic benefit costs.

All financing plans, such as private split dollar, must have an effective strategy for termination other than death. Once the policy's limited payment period ends, termination of the private split dollar arrangement by gift is an attractive option. If cash value is less than \$2M*, then no out-of-pocket gift tax will be due when gift occurs.

Termination



1. Split dollar agreement is terminated at the end of the limited payment period.
2. Restrictive collateral assignment is released. Sponsors forgive the amount owed under the split dollar agreement (the policy cash value).
3. This forgiveness creates a taxable gift by both sponsors to the ILIT.

Tap into the expertise of the Principal Financial Group® (The Principal®) and start planning your legacy.

*Cash values over \$2M will be subject to gift tax.

FOR MORE INFORMATION

Contact your local financial professional.



WE'LL GIVE YOU AN EDGESM

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