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Protect*

Maximize your gifts to the next generation

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The situation
A married couple wants to direct funds to five children (two from previous marriages) at their ultimate passing.

- The husband is the CEO of a successfully growing company. The entity recently received a large private equity investment which resulted in $30 million of liquidity. The corporation has a future liquidation potential of either a buy-out, IPO, and/or dividend recap.
- The couple has an approximate joint net worth of $80 million including concentrated stock that is illiquid.
- Not only did our clients want to diversify their position but also were looking to maximize the advantages provided by the existing estate tax laws to benefit their young children and also adult children from prior marriages.

The strategy
Working closely with our Advanced Planning group which specializes in trust, estate, and tax planning, we advised the clients on an effective way to maximize the $28,000 annual exclusion gifts to their five children ($140 thousand total annual gift).

- The client purchased a "second to die" life insurance policy to provide $15 million in death benefit to all five children in the blended family. The annual premium comes under the $140 thousand total annual gift limit. After 15 years, the policy will be fully paid. The clients will then be able to resume annual gifting outside the life insurance structure.
- An irrevocable trust was designed in a way that allowed ownership of the life insurance policy outside of the taxable estate.

The benefits
- All the life insurance proceeds transfer to the children tax-free when the estate is eventually settled.
- The remaining assets in the estate were positioned to maximize current tax laws and exemption levels.

Please see disclosures listed on reverse.

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