Split Dollar Arrangements: Leveraging Gift, Estate and Income Tax Benefits
Choosing the Appropriate Taxation Method and Policy, Structuring the Agreement, and Creating Exit Strategies

TUESDAY, NOVEMBER 11, 2014
1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

Today’s faculty features:
Richard Harris, CLU, AEP, Richard L. Harris LLC, Clifton, N.J.
Jeri L. Turley, President and Principal, BCG Companies, Richmond, Va.

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Jeri L. Turley

President and Principal, BCG Companies

Jeri Turley is the president and a principal of BCG Companies in Richmond, VA and BCG Holleman in Chevy Chase, MD. BCG was founded in 1988 in Richmond, VA, on a simple premise: Serve the specialized life insurance needs of affluent families and corporations. From minute personal preferences to the reality of a corporation's future, BCG develops strategies to accommodate all details.

Jeri works closely with clients and their advisors throughout the wealth transfer process for high net worth individuals and families as well as executive benefit and succession planning for public and privately held companies. Jeri also coordinates and supervises the case design, underwriting and servicing efforts of BCG staff members in Richmond and in Chevy Chase.

Jeri began her career with BCG Companies in 1994. She is a registered representative of M Holdings Securities and is a member on M Financial's Technology Committee.

Jeri is currently serving as a director for the Association for Advanced Life Underwriting (AALU). AALU's mission is to promote, preserve and protect advanced life insurance planning for the benefit of AALU's members, their clients, the industry and the general public.

Jeri earned a BBA in International Business and Economics from James Madison University.
Richard L. Harris, CLU AEP TEP

Richard is the managing member of Richard L. Harris LLC. He works nationally and has over 40-years experience consulting on life insurance transactions, optimizing life insurance portfolios, acting as a life insurance purchasing agent, serving as an expert witness, and providing private placement life insurance and annuities.

His publications include articles about split-dollar arrangements in *Trusts & Estates, Estate Planning, Steve Leimberg’s Newsletters, and Journal of Practical Estate Planning*. With Martin Shenkman he created “Indexed and Annotated Regulations 1.61-22 and 1.7872-15”.


Richard graduated from Long Island University where he majored in Accounting and Literature.

More information is available on [www.rlharrisllc.com](http://www.rlharrisllc.com). He can be reached at 973.470.5151 or richard@rlharrisllc.com.
WHY CARE?

What tools do you have with the following features?

• Little or no taxable gifts
• Generation-skipping
• Covered by Regulations
• No penalty if individual dies while the transaction is still in effect.
WHY CARE?

You have clients who:
• Don’t want to pay gift taxes
• Maxed out their gifting and want to do more.
• Don’t want to pay estate taxes from the assets in their estates
• Don’t have liquidity to pay estate taxes and loans (including under Sec. 6166) are too onerous
• Want to move money down to future generations in a “Family Bank”
• Are seeking non-correlated assets to reduce risk
• Want to leave an inheritance but don’t want to be constrained regarding their investments or their life style

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WHY CARE?

Current environment regarding Sales to Grantor Trusts

• Estate of Woelbing – Section 2702
  • The note should be valued at zero
  • The transaction is a gift

• Estate of Davidson -SCIN - Chief Counsel Advice (CCA) 201330033 –
  • Must use individual’s actual life expectancy
  • Sec. 7520 Table only applicable to Private Annuities
WHAT CHANGED?

Starting in the beginning of 2001, many practitioners thought Split-Dollar Arrangements were dead.

- Couldn’t do “Equity” arrangements
- Regulations lengthy and confusing

For those of you who haven’t already done so, it’s time to take a new look.
AGENDA

1. Split-dollar arrangements – the current rules
   A. Economic benefit
   B. Loans
2. Benefits and complexities of Private Split-Dollar
   A. Gift taxes
   B. Estate taxes
   C. Control
   D. Administration
3. Appropriate policies
4. Structuring the arrangement
5. Switching arrangements and termination
6. Questions

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WHAT ARE ECONOMIC BENEFIT ARRANGEMENTS?

1.61-22(B)(1)
General rule. Split-dollar is defined as any arrangement between an owner and non-owner of a life insurance policy that satisfies the following criteria:

(A) Either party to the arrangement pays, directly or indirectly, all or any portion of the premium on the life insurance contract, including payment by means of a loan to the other party that is secured by the life contract;
1.61-22(B)(1)

(B) At least one of the parties to the arrangement paying premiums under paragraph (b)(1)(i) of this section is entitled to recover (either conditionally or unconditionally) all or any portion of those premiums and such recovery is to be made from, or is secured by, the proceeds of the life insurance contract; and
WHAT ARE ECONOMIC BENEFIT ARRANGEMENTS?

1.61-22(B)(1)

(C) The arrangement is not part of a group-term life insurance plan described in section 79 unless the group-term life insurance plan provides permanent benefits to employees (as defined in § 1.79-0).
WHAT ARE ECONOMIC BENEFIT ARRANGEMENTS?

1.61-22

Also addresses the taxation of equity in economic benefit split-dollar arrangements. This section applies to all arrangements entered into after September 17, 2003 and any existing arrangement that is “materially modified” after this date.

“Equity” refers to any part of cash value (not including surrender charges) available to the non-premium paying party during life. The equity will be taxed at the time it accrues for income tax and transfer tax purposes (if applicable).
WHAT ARE ECONOMIC BENEFIT ARRANGEMENTS?

Material Modification

Note: The regulations define material modification by what it does not include.

For example, it does not include minor administrative changes and changes made to comply with IRC Section 409(A).

One change specifically omitted from the list as not being a material modification is an IRC Section 1035 exchange from an old policy into a new policy (by inference, a policy exchange under IRC Section 1035 IS a material modification).
WHAT ARE ECONOMIC BENEFIT ARRANGEMENTS?

Non-Equity Arrangement/Reportable Economic Benefit (REB)

The value of the gift of the insurance premium payment is based on the economic benefit to the person receiving the benefit.

In Notice 2001-10, the IRS created Table 2001, which set new rates to measure the value of the insurance protection (ie. economic benefit). These rates apply to all new arrangements entered into after January 28, 2002.
WHAT ARE ECONOMIC BENEFIT ARRANGEMENTS?

Non-Equity Arrangement/Reportable Economic Benefit (REB)

The regulations allow for the continuation of published term rates for older arrangements (entered into before January 28, 2002 and not modified on or after this date).

Note: while an insurer’s regularly sold annual renewable term rates remain an acceptable rate for purposes of measuring the economic benefit, they must be rates available to all standard risks who apply for term life insurance.

In the absence of such rates, the taxpayer must use Table 2001 to measure economic benefit.
WHAT ARE ECONOMIC BENEFIT ARRANGEMENTS?

The economic-benefit split-dollar arrangement is alive and well, as long as the taxpayer follows the rules.

It is important to note the premiums paid are advances, not loans.

The premium payor is entitled to receive back the greater of premiums advanced or the cash surrender value. There is no interest component, which is an important distinction when compared to loan arrangements.
ECONOMIC BENEFIT – A PRACTICAL VIEW

- **Insured**
  - Pays premiums
  - Restrictive Collateral Assignment
  - Gift of Economic Benefit

- **Insurance Company**
  - Remaining death benefit passes to ILIT

- **ILIT**

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The economic benefit amount is typically relatively small compared to the premium amounts, especially during the early years of the policy, and therefore should significantly reduce the gifts made by the insured.

Gifts are based on the term rates.
It is important to emphasize that if the ILIT does not pay a portion of the premium equal to the economic benefit, the economic benefit will be treated as a deemed gift to the ILIT by the premium payor that may not qualify for the annual gift tax exclusion.
If the insured is the premium payor, caution must be taken to avoid any incidents of ownership that may cause estate taxation of the death benefit. A restricted collateral assignment agreement should be used to restrict the insured’s access to the cash value limiting the insured’s right over the policy to a right of reimbursement upon termination of the agreement only.
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WHAT ARE LOAN SPLIT-DOLLAR ARRANGEMENTS?

1.7872-15 a)(2)(i)
General rule. A payment made pursuant to a split-dollar life insurance arrangement is treated as a loan for Federal tax purposes, and the owner and non-owner are treated, respectively, as the borrower and the lender, if—

(A) The payment is made either directly or indirectly by the non-owner to the owner (including a premium payment made by the non-owner directly or indirectly to the insurance company with respect to the policy held by the owner);
WHAT ARE LOAN SPLIT-DOLLAR ARRANGEMENTS?

1.7872-15 a)(2)(i)

(B) The payment is a loan under general principles of Federal tax law or, if it is not a loan under general principles of Federal tax law (because of the nonrecourse nature of the obligation or otherwise), a reasonable person nevertheless would expect the payment to be repaid in full to the non-owner (whether with or without interest) ; and
WHAT ARE LOAN SPLIT-DOLLAR ARRANGEMENTS?

1.7872-15 a)(2)(i)

(C) The repayment is to be made from, or is secured by, the policy's death benefit proceeds, the policy's cash surrender value, or both.
1.7872-15(d)(2)

(i) Requirement. An otherwise noncontingent payment on a split-dollar loan that is nonrecourse to the borrower is not a contingent payment under this section if the parties to the split-dollar life insurance arrangement represent in writing that a reasonable person would expect that all payments under the loan will be made.
1.7872-15(d)(2)
(ii) Time and manner for providing written representation. The Commissioner may prescribe the time and manner for providing the written representation required by paragraph (d)(2)(i) of this section. Until the Commissioner prescribes otherwise, the written representation that is required by paragraph (d)(2)(i) of this section must meet the requirements of this paragraph (d)(2)(ii). Both the borrower and the lender must sign the representation not later than the last day (including extensions) for filing the Federal income tax return of the borrower or lender, whichever is earlier, for the taxable year in which the lender makes the first split-dollar loan under the split-dollar life insurance arrangement.
1.7872-15(d)(2)(ii)
This representation must include the names, addresses, and taxpayer identification numbers of the borrower, lender, and any indirect participants. Unless otherwise stated therein, this representation applies to all subsequent split-dollar loans made pursuant to the split-dollar life insurance arrangement. Each party should retain an original of the representation as part of its books and records and should attach a copy of this representation to its Federal income tax return for any taxable year in which the lender makes a loan to which the representation applies.
BONUS FEATURES

Treatment as a loan can be guaranteed, even for non-recourse transactions.

No annual payments on the loan have to be made. Interest can be accrued. (1.7872-15(j)(5) Example 1)

Original Issue Discount (OID) rules apply but if loan is to grantor trust and grantor is the lender there is no income tax effect.

Life insurance proceeds can be used to make Graegin Loan if estate lacks liquidity to pay taxes.
A loan can be made for the life of the insured.

1.7872 (e)(5)(ii)(C) the term of a split-dollar loan payable on the death of an individual (including the death of the last survivor of a group of individuals) is the individual's life expectancy as determined under the appropriate table in § 1.72-9 on the day the loan is made. If a split-dollar loan is payable on the earlier of the individual's death or another term determined under paragraph (e)(4)(iii) of this section, the term of the loan is whichever term is shorter.
(D) Retirement and reissuance of loan.
If a split-dollar loan described in paragraph (e)(5)(ii)(A) of this section remains outstanding longer than the term determined under paragraph (e)(5)(ii)(C) of this section because the individual outlived his or her life expectancy, the split-dollar loan is treated for purposes of this section as retired and reissued as a split-dollar demand loan at that time for an amount of cash equal to the loan's adjusted issue price on that date. However, the loan is not retested at that time to determine whether the loan provides for sufficient interest..
For purposes of determining forgone interest under paragraph (e)(5)(ii)(B) of this section, the appropriate AFR for the reissued loan is the AFR determined under paragraph (e)(5)(ii)(B) of this section on the day the loan was originally made.

In other words, if a loan for life was made in November 2014 the interest rate used for someone under the age of 80 would be 2.91%. (7520 rate 2.20%)
If the individual is still alive at life expectancy the new rate is the demand loan rate as of November 2014 – 0.28%! 

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Below market interest rates.

- If this is a gift transaction between the lender and the borrower, the difference between the rate charged and the appropriate AFR is considered a gift.

- If this is a transaction in which an employer is making the loan to someone designated by the employee:
  - The employee realizes income taxable benefit
  - The borrower receives a gift from the employee
1.7872 (a)(4) **Certain interest provisions disregarded.**

(i) In general. If a split-dollar loan provides for the payment of interest and all or a portion of the interest is to be paid directly or indirectly by the lender (or a person related to the lender), then the requirement to pay the interest (or portion thereof) is disregarded for purposes of this section. All of the facts and circumstances determine whether a payment to be made by the lender (or a person related to the lender) is sufficiently independent from the split-dollar loan for the payment to not be an indirect payment of the interest (or a portion thereof) by the lender (or a person related to the lender).
What’s in estate:
• If Economic Benefit Arrangement what is in the estate is the greater of the money advanced or the cash value of the policies
  • Pre Sept. 2003 Equity split-dollar
  • Cash advanced
• If Loan Arrangement what is in the estate is the loan plus accrued interest (if any)

What’s not in estate:
• The insurance proceeds and any investments greater than the amount that has to be repaid

Can be generation-skipping to avoid all future transfer taxes

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GIFT TAX LEVERAGE

Economic Benefit Arrangement

- Money transferred is called an Advance, NOT a loan
- Gift is cost of annual renewable term insurance regularly sold by the insurance company or Table 2001
- Gift is smaller than premium
- Taxable term rate may be less than interest on a loan
  - Especially if second-to-die policy
    - When one insured dies it reverts to the single life rate on the survivor
  - Tax consequences are knowable at the outset based on term rates
- Switch to loan method when term costs exceed interest rates
  - Caveat: Interest rates are a moving target

Insured may be someone other than party advancing the premiums
GIFT TAX LEVERAGE

Loan Arrangement
• Gifts are less than premium, if made or imputed
• If interest is not paid, unless accrued gift is the interest based on the applicable AFR based on the agreement
• Gifts, when made, should be in $1,000 amounts and not made at time interest is due
• New interest rate every time a loan is made based on appropriate AFR at that time
  • Each loan and agreement can have different terms to capture best AFR
  • Future consequences not known because of ever-changing interest rates

HOWEVER...

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GIFT TAX LEVERAGE

A lump sum loan is made up front
- Annual premiums paid from lump sum
- Interest accrued or paid from lump sum (investment results)
- Balance of lump sum is invested
  - If loan is to ILIT that is Grantor trust, income tax payments on taxable earnings can come from Grantor
  - If interest accrues:
    - NO GIFTS!
    - No OID if it is a Grantor trust
    - OID only comes into effect when the trust is no longer a grantor trust and effect is non-cumulative
  - If loan is for life of insured lock in a rate forever
    - November 2014 long-term AFR = 2.91% (7520 rate 2.20%)

Insured can be someone other than the lender

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LUMP SUM LOAN EXAMPLE

FACTS:

Loan is for $8,000,000 to a Grantor ILIT that is generation-skipping
Nine Year Loan – AFR 11/14 = 1.90 (Lower than 7520 rate)
$10,000,000 second to die policy H – 67  W – 65
Policy is guaranteed paid-up in nine years
Interest Accrues

Balance not used to pay premiums invested at 5.2% taxable
Taxes paid by grantor
   50% Ordinary Income 50% Long-Term Capital Gains
Tax rates: 43.6%  23.8%

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LUMP SUM LOAN EXAMPLE

RESULTS:

• $10,000,000 policy in force regardless of when second death occurs
• At second death Family Bank receives $10,000,000
• No taxable gifts
• Clients/Grantors pay taxes of $1,310,147
  • Would be paid by grantor if personally invested
• Receive interest of $1,476,711
• $8,000,000 loan repaid in year nine
• Cost to lender – use of money in excess of loan interest rate
CONTROL

Private split-dollar gives the insured greater flexibility over how their annual exclusions and lifetime gifts are used and allows them to preserve these gift tax savings devices for other (perhaps more effective) uses.

Premiums are not gifts – they are not irrevocably gifted to the Trust. The Grantor has the ability to terminate the split-dollar arrangement and recover the premium payments according to the agreement.
Fiduciary Duty

- Applying for the life insurance policy
- Entering into the split-dollar arrangement (economic benefit or loan regime)
- Preparing the collateral assignment
- Time of repayment
- With loan arrangements, determination of loan rate
- Annual reporting/Policy review
- Exit strategy
There are no specific “guidelines” regarding the annual administration of the split-dollar arrangement; however, the insured and Trustee should consider:

- Economic benefit calculation: confirm who does the reporting and assure the gift to trust is made and tracked
- Loan interest: proper reporting and tracking of annual loan interest
- Assure promissory notes are prepared and updated as loans “mature.”
Sample Economic Benefit Reporting
Joint Life Policy
Male Age 63 / Female Age 62

<p>| | |</p>
<table>
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<tbody>
<tr>
<td>Total Death Benefit</td>
<td>31,718,796</td>
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<tr>
<td>Cumulative Premiums</td>
<td>784,226</td>
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<tr>
<td>Trust Death Benefit</td>
<td>30,934,570</td>
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<tr>
<td>Term Rate (per 1,000) *</td>
<td>0.05801</td>
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<tr>
<td>Reportable Economic Benefit</td>
<td>1,795</td>
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</tbody>
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* Reflects the carrier’s term rate based on the insureds’ attained ages
Sample Loan Interest Reporting

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Total Death Benefit</td>
<td>7,481,800</td>
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<tr>
<td>Loan Balance</td>
<td>636,943</td>
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<tr>
<td>Applicable Federal Rate *</td>
<td>1.9%</td>
</tr>
<tr>
<td>Loan Interest Due</td>
<td>12,102</td>
</tr>
<tr>
<td>Trust Death Benefit</td>
<td>6,844,857</td>
</tr>
</tbody>
</table>

* Reflects the current mid-term AFR; calculations assume the loan interest is paid each year
Life insurance is an effective way to transfer assets for two reasons:

1. Potential for growth

- Death benefits usually exceed the total premiums paid
- The difference between the total premiums paid and the policy death benefits represents additional assets available at the insured’s death to be paid to beneficiaries;
2. Unique and valuable tax benefits

- Policy cash values grow income tax deferred
- Death benefits are generally income tax free
- Policy death benefits may avoid estate taxes if the policy ownership is properly structured
APPROPRIATE USES OF LIFE INSURANCE

Generally, any life insurance policy can be used.

A wide range of life products exist to meet various levels of risk tolerance.

High quality carriers and products are important.

Special design considerations include death benefit type based on type of split-dollar arrangement.

Fiduciary responsibility: understand the parameters for selecting the insurance product.
Special Note:

Variable life product consideration: to avoid potential violation of Reg U, consider the use of assets other than the policy as collateral.
Create an ILIT (grantor trust; power of substitution).

Execute private-split dollar agreement.

Trustee purchases a life insurance policy.
- Premium payor (insured, spouse or other) pays the premium
- Collateral assignment (incidence of ownership considerations)

Insured gifts annual economic benefit to Trust.

At death, the premium payor recovers the premiums and the balance of the death benefit passes to the ILIT
Create an ILIT (grantor trust; power of substitution).

Trustee purchases a life insurance policy
  • Loan made to the Trust (notes are executed)
  • Trust pays the premium
  • Collateral assignment

ILIT pays interest (interest may also be accrued)

At death, ILIT receives death benefit; ILIT repays loan balance (includable in insured taxable estate) and retains remaining death benefit proceeds
STRUCTURING THE ARRANGEMENT: BEST PRACTICES

Have the borrower sign a promissory note.

Establish a fixed repayment schedule.

Charge interest at or above the minimum “safe harbor” rate.

Have the policy be collateral for the loan (variable life considerations).

Demand repayment.

Have records from both parties reflecting debt.
Show evidence that payments have been made.

Have conditions for the repayment included in the agreement.

Establish policy annual review and monitoring schedule.

Do not establish a plan to forgive payments as they come due.

Refinance with caution.
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SWITCHING ARRANGEMENTS

Why switch?

Existing Economic Benefit Arrangement entered into after 2000
• Single life and insured has reached age when Table 2001 rates are higher than interest rate if converted to a loan
• Originally second-to-die and one insured has died

Pre 2000 arrangement
• Carrier no longer supports their “published” term costs and must now use Table 2001

Loan interest payment lower than economic benefit

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SWITCHING ARRANGEMENTS

The Value When Switched

• The value when switched becomes the amount of the loan
• The value of the policy at time of switch is not specifically the cash surrender value but rather the “fair market value”
• Fair market value of life insurance for gift tax purposes is covered under § 25.2512-6(a) –
  • Interpolated Terminal Reserve (ITR) plus unearned premium
  • Unless because of the unusual nature of the policy that does not accurately reflect the value
SWITCHING ARRANGEMENTS

The Value When Switched

• Regulation became final in 1974
• Universal Life (UL) policies were not in existence
• Some companies, when asked for the gift value (Form 712) of UL will give Interpolated Terminal Reserve (ITR) based on tax or statutory reserves.
  • Number is much greater than cash surrender value
• Some companies will give you
  • The ITR
  • The cash surrender value
  • The cash surrender value not taking into account surrender charges
  • They will tell the tax professional to pick one for tax purposes
• Schwab case – fair market value based on likelihood of death
Special Rule for Pre Final Regulations (September 2003)
Arrangements that were Equity Split-Dollar

• To the extent that there is any gain that inures for the benefit of the non-premium payor that gain is subject to tax as ordinary income at the time the change is made (‘Material Modification’)
• Non-owner’s payment of economic benefit cost does not produce basis
• This appears to be separate from the fair market value gift rules
TERMINATING ARRANGEMENTS

For Economic Benefit and Loan Arrangements

- Economic benefit arrangements - value is fair market value
- If pre-regulation equity split dollar arrangement, to the extent there is equity that equity is subject to income tax
- If policy is purchased by owner at time of termination, there are no gift tax consequences (source of funds is a separate issue)
- For loan arrangements the loan plus accrued interest is the value that is used
SUMMARY

Split-dollar is alive and well

• Little or no taxable gifts
• Generation-skipping
• Covered by Regulations
• No penalty if individual dies while the transaction is still in effect.

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Applies to clients who:

• Don’t want to pay gift taxes
• Maxed out their gifting and want to do more
• Don’t want to pay estate taxes from the assets in their estates
• Don’t have liquidity to pay estate taxes and loans (including under Sec. 6166) are too onerous
• Want to move money down to future generations in a “Family Bank”
• Are seeking non-correlated assets to reduce risk
• Want to leave an inheritance but don’t want to be constrained regarding their investments or their life style
• Reg. 1.61-22 indexed and annotated
• Reg. 1.7872-15 indexed and annotated
• “Private Split-dollar Arrangements - They’re not dead; they’re just different” – *Trusts & Estates*, May 2010
• “Split-Dollar Loan to a Grantor Irrevocable Life Insurance Trust - Is there an alternative to grantor retained annuity trusts and installment sales to intentionally defective grantor trusts?” *Estate Planning*, December 2009

If anyone would like any of the above please email Richard Harris – richard@rlharrisllc.com and say that you were on this webinar
USEFUL DOCUMENTS

Advanced Markets Insight

Economic Benefit Regime Private Split Dollar

What is Private Split Dollar?

Private Split Dollar is an advanced life insurance strategy that combines Life Insurance Trust (LIT), a life insurance policy, and a split-dollar gift lease to potentially increase the client's net return.

How Does the Strategy Work?

In an Economic Benefit Private Split Dollar arrangement, the client establishes a trust to receive policy proceeds from the Life Insurance Trust (LIT). In this structure, the proceeds from the LIT are immediately used to purchase a life insurance policy. The proceeds from the LIT can be used to pay for the policy premiums, and any excess can be used to pay for additional life insurance policies. The proceeds from the LIT can also be used to pay for additional life insurance policies.

Advantages Over a Traditional ILIT

In a traditional ILIT, the trust established is responsible for paying the premiums on the life insurance policy. In this structure, the proceeds from the LIT can be used to pay for the policy premiums, and any excess can be used to pay for additional life insurance policies. The proceeds from the LIT can also be used to pay for additional life insurance policies.

Planning Stages

1. The Grantor is identified as the insured.
2. The Trustee is identified as the insured.
3. The life insurance policy is issued.
4. The death benefit is paid to the Trustee.
5. The Trustee is identified as the insured.

The economic benefit private split dollar is a powerful tool for increasing the value of the life insurance policy. It allows the client to receive a higher return on their investment by paying the premiums for the policy and using any excess to pay for additional life insurance policies.

Advanced Markets Insight

Private Premium Financing

What is Private Premium Financing?

Private premium financing is the funding of life insurance premiums with the use of a Private Split Dollar arrangement. It allows a client to pay the premiums for a life insurance policy using a combination of a life insurance policy and a private split-dollar arrangement.

How Does Private Premium Financing Work?

In a private premium financing arrangement, the client establishes a trust to receive policy proceeds from the life insurance policy. The proceeds from the trust can be used to pay for the policy premiums, and any excess can be used to pay for additional life insurance policies. The proceeds from the trust can also be used to pay for additional life insurance policies.

Planning Stages

1. The Grantor is identified as the insured.
2. The Trustee is identified as the insured.
3. The life insurance policy is issued.
4. The death benefit is paid to the Trustee.
5. The Trustee is identified as the insured.

The private premium financing structure is a powerful tool for increasing the value of the life insurance policy. It allows the client to receive a higher return on their investment by paying the premiums for the policy and using any excess to pay for additional life insurance policies.

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