



ILIT is funded with one or more life insurance policies on the life of the grantor. The ILIT will be the owner and beneficiary of the life insurance policies. Generally, assets are gifted to the ILIT each year to cover payments of the premiums on life insurance policies, and the trust can take advantage of annual exclusion from gift tax if drafted appropriately.

At Death of Grantor:

If funded properly during the grantor's lifetime, the life insurance death benefits pass free of estate tax. Portion covered generation-skipping transfer ("GST") tax exemption allocated at the time of the lifetime gifts is added to GST Exempt share and balance, if any, is added to GST Nonexempt share.

LIFETIME TRUSTS FOR BENEFICIARIES (GST NON-EXEMPT)

GST non-exempt portion subject to estate tax at each beneficiary's death. Otherwise, assets may provide income and/or principal to beneficiaries.

LIFETIME TRUSTS FOR BENEFICIARIES (GST EXEMPT)

GST exempt portion not subject to estate tax at each beneficiary's death. Assets may provide income and/or principal to beneficiaries.