ESTATE PLANNING

Estate planning with Virtus Protection IUL

An irrevocable life insurance trust – or ILIT – can accomplish many beneficial estate planning goals. For example, it can help you avoid the depletion of your estate by taxation or by creditors, and it can help maximize estate value to be used in any number of ways.

What is it?

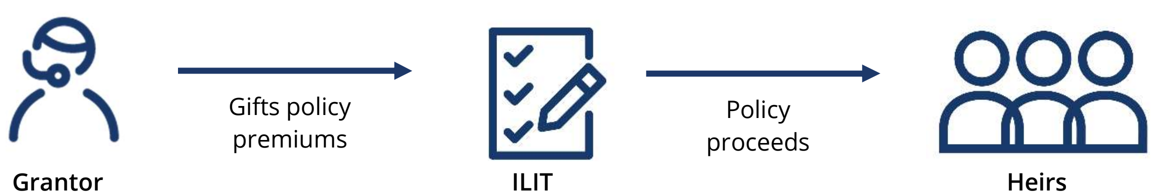
An ILIT is an irrevocable trust that holds life insurance. The insurance proceeds are typically not subject to income or estate taxes, are usually beyond the reach of creditors, and can be used to pay taxes on the rest of the estate with any remaining balance passing to your heirs. Federal estate tax rates are roughly 40%, and many states also impose additional estate taxes, so planning now can preserve or even grow your estate for your beneficiaries. An ILIT can also shield assets from creditors of your estate or beneficiaries.

You might consider an ILIT funded with Virtus Protection Indexed Universal Life (IUL) insurance to meet these objectives. Virtus Protection IUL is an affordable, permanent life insurance product designed to maximize death benefit.

How does it work and why is Virtus Protection IUL ideal for funding?

Your estate planning attorney creates an ILIT and you choose the beneficiaries and trustee to manage the trust. The ILIT will be the owner and beneficiary of a Virtus Protection IUL policy on your life. Each year you give funds to the ILIT to pay policy premiums. Designed to be an affordable, protection-oriented solution, Virtus Protection IUL can accomplish many of your estate planning goals by providing the trustee with tax-free proceeds that can be managed and distributed according to the terms of your trust.

Using Virtus Protection IUL with an ILIT



ILIT:

- Owner and beneficiary of Virtus Protection IUL policy
- Receives death benefit proceeds
- Can make loans to or buy assets from grantor's estate

Heirs:

- Receive death benefit proceeds free of estate and income taxes

The benefits

- Life insurance policy proceeds pass free of both estate and income taxes in a properly structured ILIT, making this a powerful wealth transfer technique.
- Virtus Protection IUL provides affordable, permanent coverage designed to efficiently increase death benefit protection.
- ILITs are a highly effective way to provide liquidity to your estate. The trustee can typically make loans to or buy assets from your estate, providing liquidity for estate settlement needs.
- This can be a powerful alternative to the once common stretch IRA technique used to spread distributions over a beneficiary's lifetime.
- The trust can be designed to delay distributions to beneficiaries who need assistance with asset management or who are concerned about creditors or divorce.
- The funds you gift to the trust each year (to pay policy premiums) decrease your taxable estate and can be structured to take advantage of annual gift tax exclusion amounts, making this a powerful leveraging technique

Additional considerations

- ILITs are irrevocable and can be very difficult to change; however, the ILIT can be drafted with language to provide some flexibility. For example, the trust might give you the power to substitute assets of equivalent value at a later date.
- As a general rule, you should not be the trustee of an ILIT containing a policy on your life.
- You will not have access to the policy cash values. However, you can add your spouse as a trust beneficiary using a type of ILIT known as a SLAT (spousal lifetime access trust). The trustee can then access the cash for your spouse's health, education, maintenance or support.
- If you give an existing life insurance policy to your ILIT, the estate tax benefits are generally only realized if the insured dies more than three years following the gift.
- Creditor protection varies by state. If creditor protection is a concern for you, consult your attorney to discuss your particular situation.
- Work closely with your attorney and tax professional to make sure you and your trustee have the appropriate documents and filings to maximize tax advantages of the ILIT.

Learn more about this product and estate planning by requesting these brochures from your financial professional: Virtus Protection IUL client guide (Form 8631) and Preserve Your Estate for Your Beneficiaries (Form 2307LMP).

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