

## Safeguarding Your Legacy with Survivorship Life

One of the more flexible and creative products to enter the insurance arena within recent years is **survivorship life insurance**. Often referred to as **last-to-die** or **second-to-die**, this life insurance policy insures *two* individuals, yet provides only one **death benefit** payable at the death of the second insured. In some instances, survivorship life insurance may be less expensive than a single life insurance policy on one of the insureds. This is possible because the insurance risk is spread over the life expectancy of *two* lives rather than one. In fact, two individuals can be insured even if one is medically "uninsurable," thus providing added security and planning potential for otherwise difficult situations.

### Benefits for Estate Planning

The advent of survivorship life insurance has created several exciting opportunities, the most popular of which is the funding of estate taxes. Even with the appropriate wills, trusts, and property ownership designations, assets of married couples that exceed \$4,000,000 (for 2007) may be subject to federal estate taxes (for single individuals, assets over \$2,000,000 in 2007 are subject to estate taxes). For married couples, a survivorship life insurance policy can be an integral part of an estate plan.

For instance, suppose Susan and David Baker (a hypothetical case) are both sixty years of age and have three adult children. The Bakers' net assets total \$4,500,000. The Bakers have updated and signed the appropriate legal documents (wills, trusts, etc.), and repositioned their asset ownership in order to maximize their respective **applicable exclusion amount** (formerly the **unified credit**). The potential exists for only \$4,000,000 to pass to their heirs estate tax free. However, the remainder of their assets would be subject to incur federal estate taxes if they were to die in 2007 (excluding other administrative and funeral costs).

One solution to this problem would be to create an **irrevocable trust** to purchase a survivorship life insurance policy on their lives. In this situation, the trust would be the owner *and* beneficiary of the policy, which would allow the policy proceeds to pass to the trust beneficiaries (the Bakers' children) estate tax free. In addition, the Bakers make a gift of the policy premiums to the trust by using their **annual gift tax exclusions** (without incurring a gift tax, individuals can gift up to \$12,000 per year per donee to anyone they wish, while married couples can gift up to \$24,000 per year).

Even if a couple does not foresee any estate tax problems, survivorship insurance can still be a dynamic method used to enhance any gifting or wealth transferring program. For instance, a survivorship life insurance policy can help provide wealth to children and grandchildren or potentially transform regular gifts to charity into a sizeable long-term gift.

### Maintaining Continuity

The many uses of survivorship life insurance can result in a "win-win" situation for the insureds and their family. Whether you have an estate tax problem, or merely wish to potentially leverage the value of any gifts you make to your children, grandchildren, or favorite charity, such an insurance plan can help provide maximum benefit for reasonable cost. A consultation with a qualified professional can best determine how a survivorship life insurance policy can fit into *your* overall financial plan.