

A POWERFUL TOOL FOR LEGACY PROTECTION AND WEALTH TRANSFER

What is Survivorship Life Insurance?

Survivorship life insurance, also known as second-to-die life insurance, is a type of permanent life insurance that covers two lives, typically a married couple. The death benefit is paid out only after the second insured individual passes away. This unique structure makes it an exceptionally effective tool for specific estate planning objectives.

Why Consider Survivorship Life Insurance?

For families, survivorship life insurance offers several compelling advantages:

- **Estate Tax Liquidity:** The primary benefit is providing a substantial, tax free death benefit precisely when it's needed most, to cover estate taxes and other settlement costs after both spouses have passed. This prevents the forced sale of illiquid assets, such as a family business or real estate, to pay taxes.
- **Lower Premiums:** Because the death benefit is paid only after the second death, the actuarial risk is spread over a longer period, often resulting in significantly lower premiums compared to two individual life insurance policies with the same combined coverage.
- **Wealth Equalization:** In blended families or situations where assets are not easily divisible, survivorship life insurance can be used to equalize inheritances among heirs. For example, if a family business is left to one child, a policy can provide an equivalent inheritance to other children.
- **Charitable Giving:** It can be an efficient way to fund a charitable legacy. The death benefit can be directed to a charity, providing a significant gift while potentially offering estate tax deductions.
- **Business Succession Planning:** For business owners, it can fund buy-sell agreements or provide liquidity for a surviving partner to purchase the deceased partner's share, ensuring business continuity.

How It Works: The Role of an ILIT

Survivorship life insurance is most commonly owned by an Irrevocable Life Insurance Trust (ILIT). When structured this way:

1. **ILIT Ownership:** The ILIT owns the policy and is named as the beneficiary.
2. **Premium Payments:** The insured individuals (or another trust) make gifts to the ILIT, which the ILIT then uses to pay the policy premiums. These gifts may qualify for the annual gift tax exclusion.
3. **Tax free Death Benefit:** Upon the second death, the tax free death benefit is paid to the ILIT. Since the ILIT owns the policy, the death benefit is excluded from the taxable estates of both insured individuals.
4. **Distribution to Heirs:** The ILIT then distributes the funds to the beneficiaries according to the trust's terms, often providing the necessary liquidity to pay estate taxes or distribute wealth equitably.

Is Survivorship Life Insurance Right for You?

Consider survivorship life insurance if you:

- Are a married couple with a taxable estate.
- Own a family business or illiquid assets you wish to pass on intact.
- Want to ensure a tax efficient legacy for your heirs.
- Are looking for a cost effective way to provide substantial death benefit coverage.

This strategy is a cornerstone of estate planning, offering a robust solution to preserve wealth and ensure your legacy is transferred efficiently to the next generation.

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