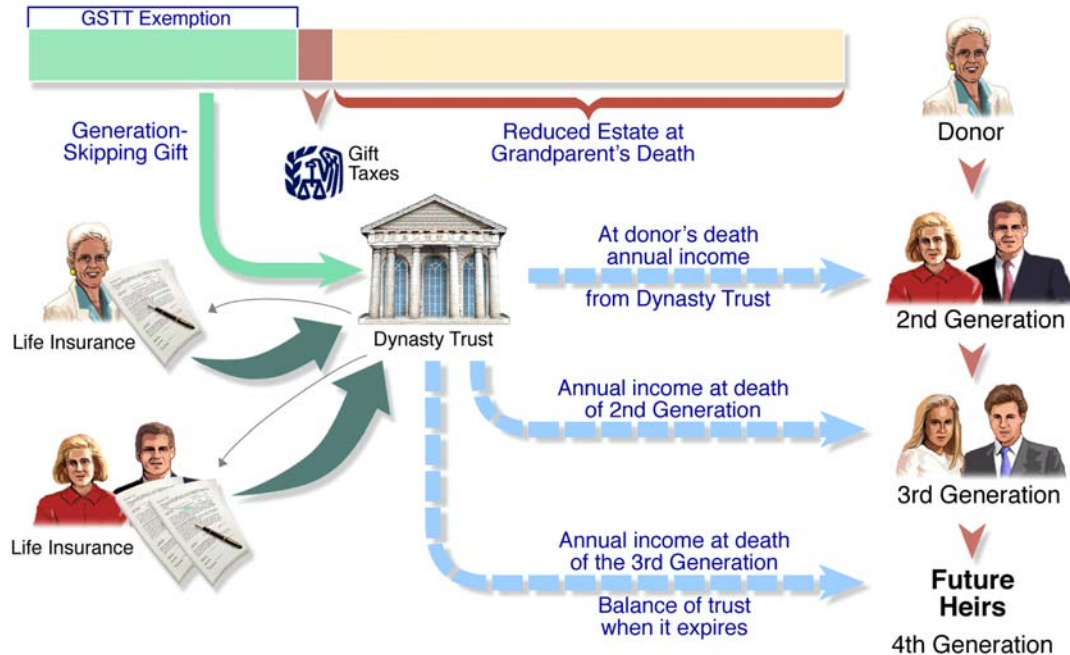


Dynasty Trust

Leveraging Gifts for Future Generations



Life Insurance on the life of the donor or other family members, paid with Trust funds, can increase Trust assets upon their death.

Ordinarily, as an estate is passed to each subsequent generation, it is subject to estate taxes and gift taxes. A Dynasty Trust may avoid estate taxes for several generations. Life insurance may be used to leverage this benefit.

The Generation-Skipping Transfer Tax is a tax on transfers of assets typically to persons two or more generations below the donor, and is assessed in addition to any estate or gift tax that may be due. For years after 2010, there is an exemption of \$1,120,000 in total gifts by an individual (\$2,240,000 total for both husband and wife).¹

A generation-skipping gift may establish a Dynasty Trust. At the donor's death, income from the trust (and principal if so provided in the trust agreement) may be distributed annually to the heirs. The trust may leverage the gifts by purchasing life insurance on the donor and other family members. When an insured family member dies, the trust receives the life insurance proceeds. These proceeds can increase the income to heirs or be used to acquire life insurance on other family members. Many states limit how long property can be held in trust. Usually trusts cannot last longer than the lives of persons alive when the trust was created plus twenty-one years. Consult your attorney about your state's laws.

¹ For years after 2010, generation-skipping transfers are exempt from the Generation-Skipping Transfer Tax on the first \$1,120,000, plus increases for indexing for inflation after 2003; in 2005 on the first \$1,500,000, in 2006-2008 on the first \$2,000,000 and in 2009 on the first \$3,500,000. There is no Generation-Skipping Transfer Tax on transfers in 2010.