



**SUCCESS  
STRATEGIES**  
Advanced Sales

# Estate & Wealth Transfer Strategies

## A Summary

Most families can benefit from estate planning. Some clients require simple solutions to address their healthcare issues, accomplish liquidity, and the build a plan for the disposition of their assets at death. Other clients who have a higher net-worth, may require complex strategies to minimize taxes, create liquidity, and accomplish their legacy objectives.

As you work with clients on their estate and wealth transfer needs, refer to the charts on the following pages as a general guide to understanding the strategies that may help a particular client profile.

## Whole Life Insurance

Whole life insurance can be an ideal insurance solution for estate and wealth transfer planning. It offers a base of guarantees — guaranteed premiums, guaranteed cash values, and guaranteed death benefit. In addition, MassMutual® whole life products are not correlated to the market, offering predictability and reliability of the death benefit. A trustee looking to tap cash values — through the use of policy loans or surrenders<sup>1</sup> — has guaranteed values to rely

## Explore These Categories

- Estate Planning Fundamentals
- Estate Strategies for Married Couples
- Special Estate Planning Considerations
- More Advanced Wealth Transfer Strategies

upon. A business owner or high net worth client who wants to ensure liquidity when needed, can feel confident that their estate planning objectives will be met since the policy is not tied to the performance of the market.

Call or email the MMSD Advanced Sales team to help walk through the case and to help design an insurance solution.

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**1-800-601-9983, Option #2**  
**[MMSDAdvancedSales@MassMutual.com](mailto:MMSDAdvancedSales@MassMutual.com)**

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<sup>1</sup> Accessing the life insurance policy cash values through borrowing or surrenders will reduce the policy's cash values and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

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# Fundamental Estate Planning Needs

Commonly used estate planning strategies for most families:

	Client Need	Target Client Profile	Strategy Overview
<b>Basic Estate Planning</b>	Ensure loved ones are cared for after death, assets pass to intended individuals/charities, and final care is performed according to wishes	<ul style="list-style-type: none"> <li>Any client who has assets to pass on upon death</li> </ul>	Work with a client to confirm that he or she has fundamental legacy planning tools like a will, power of attorney, health care directives, and designated beneficiaries. Keep these necessary basics up to date with regular reviews in conjunction with their tax and legal advisors.
<b>Maximize a Legacy</b>	Preserve legacy assets to help ensure wealth is passed to heirs	<ul style="list-style-type: none"> <li>Is age 59½ or older and family oriented</li> <li>Has sufficient retirement income and significant liquid assets (excluding equity in the home)</li> <li>Has identified assets not needed during retirement</li> <li>Wants to leave money for the next generation</li> </ul>	Preserve a client's legacy from various tax and life events by repositioning assets not needed during his or her lifetime (qualified assets, non-qualified assets, CDs, municipal bond portfolios) as premiums for a life insurance policy. This strategy may protect against creditors and may also protect against the financial impact of a chronic illness by including an optional rider on the life insurance policy.
<b>Retirement Distribution Strategies</b>	Reduce the impact of income taxes and potentially estate taxes on qualified assets after death	<ul style="list-style-type: none"> <li>Is over age 59½</li> <li>Has a large IRA or qualified employer-sponsored retirement plan</li> <li>Has specifically stated that the IRA or qualified plan balance or required minimum distributions (RMDs) are not needed for support in retirement</li> <li>Is interested in leaving a legacy for family</li> </ul>	If suitable, take withdrawals or RMDs from the IRA, pay taxes, and reposition the after-tax amount into premiums for a life insurance policy. On the death of the insured, the heirs will receive the death benefit income tax-free and, if properly structured, estate tax-free.
<b>Leverage Gifts</b>	Desire to structure a tax – efficient wealth transfer plan and reduce the overall value of a client's estate to lessen estate tax exposure	<ul style="list-style-type: none"> <li>Is over age 55</li> <li>May have an estate that could be subject to federal and/or state estate tax in the future</li> <li>Wants to keep wealth in the family by giving to children or grandchildren</li> </ul>	Gift amounts equal to a client's annual gift tax exclusion amount or more to an Irrevocable Life Insurance Trust (ILIT), which then uses the gifts to pay premiums on life insurance insuring the life of the client or the client and his or her spouse.

	Client Need	Target Client Profile	Strategy Overview
<b>Irrevocable Life Insurance Trust (ILIT)</b>	Have life insurance death proceeds excluded from the taxable estate of the insured	<ul style="list-style-type: none"> <li>• Is insurable</li> <li>• Needs life insurance death benefit</li> <li>• Has a potential estate tax liability</li> <li>• Is concerned about potential creditors</li> <li>• Wants to equalize an inheritance (i.e., one child works in business while another does not)</li> </ul>	A trustee purchases the life insurance policy via an Irrevocable Life Insurance Trust (ILIT). Life insurance premiums are paid by the client with gifts to the ILIT. During the client's life, the life insurance policy is not available to the client's creditors. At the death of the insured, the ILIT collects the death proceeds and distributes them according to its terms. The life insurance proceeds are generally received income and estate tax-free, and not included in the taxable estate, if the ILIT is properly drafted. The proceeds can also be protected from the claims of a beneficiary's creditors.
<b>Business Succession Planning</b>	Business owner needs to pass business to next generation and must equalize the inheritance between kids working in the business and those who are not	<ul style="list-style-type: none"> <li>• Successful business owner with a closely-held business</li> <li>• Some children may work in business while others do not</li> <li>• Business owner wants to pass a fair inheritance to children who do not work in the business without having to have the business sold, or requiring the children who know nothing about the business to become partners with those who do</li> <li>• Liquidity is an issue since the estate is primarily comprised of the business</li> </ul>	A buy-sell plan may be required to pass the business at retirement or at death to a family member. The buy-sell can be funded with life insurance that would provide the liquidity needed so that the child(ren) can pay the surviving parent for the value of the business. Also, families that have closely-held businesses may need life insurance to equalize an inheritance fairly amongst heirs without having to sell the business.

# Estate Strategies For Married Couples

Strategies for married couples

	Client Need	Target Client Profile	Strategy Overview
<p><b>B Trust Planning</b></p> <p>Also known as: <b>Family Trust</b></p> <p><b>Credit Shelter Trust</b></p> <p><b>Bypass Trust</b></p>	<p>Leverage assets already in trust to increase wealth transfer both income and estate tax-free</p>	<ul style="list-style-type: none"> <li>• Is a widow or widower age 85 or younger who is a beneficiary of a B Trust created by the decedent spouse</li> <li>• Does not need income from the B Trust</li> <li>• Wants to pass as much wealth as possible to loved ones</li> </ul>	<p>Trustee of B Trust is the applicant, owner, and beneficiary of life insurance policy on the life of the surviving spouse. During the life of the surviving spouse, tax-deferred accumulation of policy values generates no income or income tax for the trust or beneficiaries. At the insured's death, proceeds are paid to the trustee income and estate tax-free and distributed to heirs according to the trust terms. Benefits include "step-up" cost basis on life insurance death proceeds.</p>
<p><b>Spousal Lifetime Access Trust (SLAT)</b></p>	<p>Decrease the value of a client's estate, and potentially minimize exposure of the assets to creditors. The trustee can purchase a life insurance policy on the life of the client, and make distributions from the policy's cash values, to the client's spouse, who is named as beneficiary of the trust.</p>	<ul style="list-style-type: none"> <li>• Is married</li> <li>• Is age 45 or older</li> <li>• Has possible estate tax issue</li> <li>• Wants flexibility and access to trust assets, but exclusion from estates</li> <li>• Has an established wealth transfer need</li> <li>• May have concerns about creditors</li> <li>• U.S. Citizen spouse married to a resident non-U.S. citizen</li> </ul>	<p>One spouse, the grantor, creates the SLAT and makes gifts to it. The trustee uses the gifts to purchase either a single life policy on the grantor or survivorship life insurance policy with the spouse. The non-grantor spouse and other heirs are beneficiaries of the trust. Under the terms of the trust document, the trustee may make discretionary distributions of the trust income and/or principal to the non-grantor spouse or any of the trust beneficiaries according to the trust terms.</p>

# Special Estate Planning Considerations

Strategies to consider when clients want to address special circumstances such as a child with special needs or a favorite charity or charities they want to remember as part of their legacy.

	Client Need	Target Client Profile	Strategy Overview
<b>Special Needs Trust Planning</b>	Financially care for a child or other loved one with special needs while protecting eligibility for government and other third-party benefits	<ul style="list-style-type: none"> <li>• Has a child or other heir with special needs</li> <li>• Desires to leave assets to the heir with special needs without jeopardizing his or her eligibility to receive government benefits</li> <li>• Wants to ensure high quality of life beyond “the basics”</li> </ul>	Special Needs Trusts are separate legal entities that hold and distribute assets for beneficiaries in a manner that protects the person’s eligibility for government-provided or other needs-based benefits. The Special Needs Trust can own insurance on the life of one or both parents to provide a significant source of support after their deaths.
<b>Estate Planning for Non-citizen Spouses</b>	Fulfill a personal or business life insurance need	<ul style="list-style-type: none"> <li>• Is a non-U.S. citizen</li> <li>• Has permanent U.S. residency</li> <li>• Has a life insurance need</li> <li>• A non-citizen spouse of a U.S. citizen</li> </ul>	U.S. transfer tax rules are different for U.S. residents who are not U.S. citizens. The main difference is they may not receive unlimited gifts or bequests from a spouse free of tax. Where the gifts or bequests are substantial, more advanced planning such as the use of a Qualified Domestic Trust (QDOT) may be necessary to minimize U.S. estate taxes. Life insurance can be used to offset these taxes or to meet other personal needs.
<b>Estate Planning for Non Resident, Non-U.S. citizens</b>	Fulfill a personal or business life insurance need and purchase the types of life insurance products offered in the U.S. and/or to offset a U.S. estate-tax liability	<ul style="list-style-type: none"> <li>• Is a non-U.S. citizen</li> <li>• Has a permanent foreign domicile</li> <li>• Has a life insurance need</li> <li>• Meets certain underwriting and U.S. nexus requirements</li> </ul>	U.S. transfer tax rules are highly unfavorable for individuals who are neither U.S. citizens nor permanent U.S. residents. For example, these individuals may exempt only \$60,000 from federal estate tax on U.S. estate assets. A foreign owner of a U.S. business may be faced with a 40% federal estate tax on almost the entire value of the business, making the need for life insurance clear. Life insurance death benefits are generally not included in the taxable estate of a non-resident foreign national, thereby clearing the way for personal ownership of the policy.

	Client Need	Target Client Profile	Strategy Overview
<b>Charitable Giving Using Life Insurance</b>	Give to a favorite charity during life and/or as part of a final legacy	<ul style="list-style-type: none"> <li>• Is charitably inclined</li> <li>• Has a significant history of financial or other support for a favorite charity</li> <li>• Wants to ensure continued support for the charity after their death</li> </ul>	Instead of making gifts directly to a charity, a client can use those gifts as premium payments on a life insurance policy to help ensure support of the charity after he or she dies. Depending on whether the client or charity owns the policy, the premiums may be tax-deductible to the client.
<b>Charitable Reminder Trust (CRT)</b>	Receive income from assets donated to charity	<ul style="list-style-type: none"> <li>• Has charitable intent</li> <li>• Has highly appreciated assets</li> <li>• Would like an income stream</li> <li>• Benefits from an income tax deduction</li> </ul>	Client creates a charitable remainder trust and irrevocably transfers assets to it, generating an income tax deduction for part of the asset value. The client names him- or herself or someone else as the trust's income beneficiary for a term of years or for life. When the income period ends, one or more charities receive the remainder of the donated assets. The client also creates and funds a Wealth Replacement Trust, an irrevocable life insurance trust that owns life insurance on the life of the client to replace the asset transferred to charity.

## More Advance Wealth Transfer Strategies

Wealth transfer strategies for high net-worth clients:

	Client Need	Target Client Profile	Strategy Overview
<b>Zero Estate Tax</b>	Wishes to benefit society on their own terms instead of leaving tax dollars to the government	<ul style="list-style-type: none"> <li>• Has a net worth of \$30,000,000+</li> <li>• Is family oriented</li> <li>• Is involved in community, has a favorite charity or is willing to set up their own charity, such as a family foundation</li> <li>• Has estate tax concerns</li> </ul>	The portion of a client's estate that is subject to estate taxes (the value above exemptions available) is directed to a charitable beneficiary, such as a family foundation, and thereby deducted from the estate. An irrevocable Wealth Replacement Trust owns life insurance on the life of the grantor(s) and helps replace the amount to the family that is passing to charity.
<b>Dynasty Trust</b>	Exclude legacy assets from estate, gift, and generation-skipping transfer taxes for children, grandchildren, and future generations	<ul style="list-style-type: none"> <li>• Has a high-net-worth family where wealth will be passed to multiple generations</li> <li>• Wants to provide income for future generations</li> <li>• Wants to exclude wealth from the transfer tax system</li> </ul>	A Dynasty Trust is an irrevocable trust designed to last for many generations to avoid taxing wealth each time it passes from one generation to the next. Life insurance owned by the Dynasty Trust, typically on the life of the creator and grantor of the trust, can provide for tax- deferred accumulation and help increase wealth transfer to future generations free of estate and generation-skipping transfer tax.

	Client Need	Target Client Profile	Strategy Overview
<b>Grantor Retained Annuity Trust (GRAT)</b>	Transfer assets to the next generation without making a large gift	<ul style="list-style-type: none"> <li>• Has assets or a business expected to appreciate in value</li> <li>• Wants to reduce the transfer tax cost of passing his or her estate to family</li> <li>• Does not want to give up the income from the assets</li> </ul>	<p>The grantor establishes a Grantor Retained Annuity Trust (GRAT) for a selected term of years and designates trust beneficiaries. The client transfers assets to the GRAT and receives income from the trust. The fair market value of the assets at the time of transfer, less the discounted value of the future income interest, is a gift to the trust beneficiaries. At the end of the GRAT term, income to the grantor stops and the trust beneficiaries receive the trust assets. During the trust term, its assets are includible in the grantor's taxable estate. Life insurance is purchased by the trustee of an Irrevocable Life Insurance Trust (ILIT) on the life of the grantor to protect against estate tax liability if the grantor does not survive the GRAT term.</p>
<b>Private Split Dollar</b>	Minimize the use of an individual's annual and/ or lifetime gift-tax-exempt amounts to fund an ILIT	<ul style="list-style-type: none"> <li>• Is age 55+</li> <li>• Has high net worth</li> <li>• Is interested in transferring wealth</li> <li>• Is interested in leveraging annual and lifetime gift-tax exemptions</li> <li>• Has a life insurance need where the premium is in excess of their gifting capacity</li> </ul>	<p>The grantor/insured creates an ILIT owning a life insurance policy on his or her life or a survivorship policy. A private split dollar agreement is created and guarantees repayment of premiums to the grantor's estate from the death benefit. In most cases, the ILIT will own the policy and either it borrows the premiums from the grantor at interest, or the value of the life insurance coverage is counted as an annual gift from the grantor to the ILIT.</p>



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<b>Asset Sale to an Intentionally Defective Irrevocable Grantor Trust (IDGT)</b>	Minimize gift taxes and maintain cash flow without liquidating assets while paying a large life insurance premium	<ul style="list-style-type: none"> <li>• Generally, is age 55 or older</li> <li>• Has substantial assets valued in excess of estate tax exemption amount</li> <li>• Doesn't want to use the lifetime gift tax exemption amount (or doesn't have any left)</li> <li>• Understands leverage and arbitrage</li> <li>• Is illiquid (has substantial non-cash assets)</li> </ul>	<p>Client sells income-producing and highly appreciating assets to an Intentionally Defective Irrevocable Grantor Trust. The grantor takes back a promissory note as payment.</p> <p>The grantor also "seeds" the trust with a gift of at least 10% of the fair market value of the asset sold to the trust. There is no capital gains tax incurred by the grantor on the sale, nor income tax on the promissory note interest. The trust owns a life insurance policy on the life of the grantor and uses the income from the trust assets to pay premiums on the policy.</p>
<b>Commercial Premium Financing</b>	Minimize gift taxes and maintain cash flow without losing control over assets while paying a large life insurance premium	<ul style="list-style-type: none"> <li>• Generally, is age 55 or older</li> <li>• Has substantial assets valued in excess of estate tax exemption amount</li> <li>• Doesn't want to use the lifetime gift-tax exemption amount (or doesn't have any left)</li> <li>• Understands leverage and arbitrage</li> <li>• Wants to retain control over assets to benefit from appreciation and/or income</li> </ul>	<p>The client borrows money from a third-party commercial lender to finance the policy premiums for a life insurance policy. The policy is typically used as collateral to secure the loan. Additional collateral requirements are satisfied using the client's other assets.</p>
<b>Intra-Family Loans</b>	Minimize gift taxes while paying a large life insurance premium	<ul style="list-style-type: none"> <li>• Generally, is age 55 or older</li> <li>• Has substantial assets valued in excess of estate tax exemption amount</li> <li>• Doesn't want to use the lifetime gift-tax exemption amount (or doesn't have any left)</li> <li>• Understands leverage and arbitrage</li> <li>• Has (or can access) substantial liquidity</li> </ul>	<p>Client loans money to an irrevocable grantor trust and the trustee pays the premiums on a life insurance policy on the client's life. The trust pays the client loan interest. The loan is repaid from the life insurance proceeds at death, or from the policy's values during lifetime, if not from other trust assets. In some cases, the loan can be forgiven, in which case gift taxes are due on the amount of forgiveness if no gift tax exemption is available.</p>



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