

**LEVERAGED CREDIT SHELTER TRUST**

# Maximize trust assets to transfer more wealth to beneficiaries



Not a bank or credit union deposit, obligation or guarantee	May lose value
Not FDIC or NCUA/NCUSIF insured	Not insured by any federal government agency

# Life insurance can increase your trust's value

If you are married and have significant assets, you may already know the important role an irrevocable Credit Shelter Trust (CST) can play in protecting and enhancing your legacy for future generations. Life insurance can increase the value of your CST, allowing more assets to pass to beneficiaries.

## Why a Credit Shelter Trust?

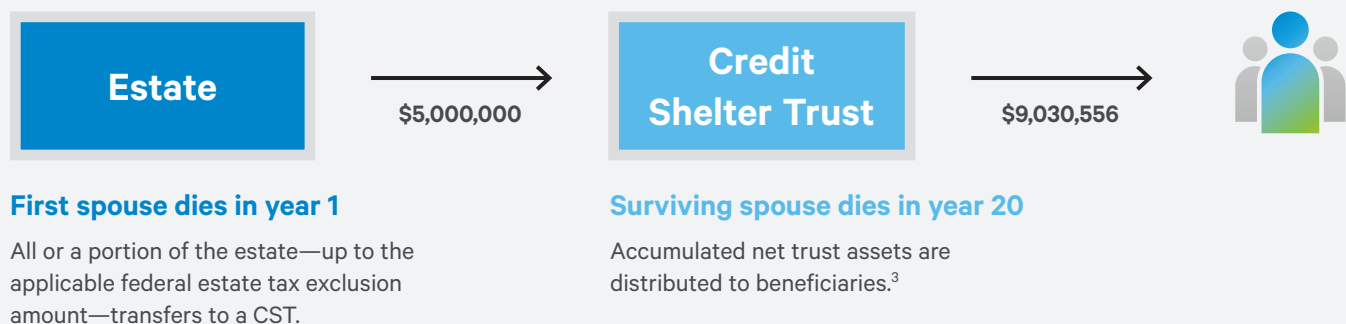
The purpose of a CST is to remove assets from the taxable estate. At the death of the first spouse, a CST is established to hold assets up to the applicable federal estate tax exclusion.<sup>1</sup> The remaining estate passes to the surviving spouse free of federal estate and income taxes through the unlimited marital deduction.

Current estate tax rules allow for the portability of a surviving spouse to retain any unused exclusion amounts from a deceased spouse. However, relying on the Deceased Spousal Unused Exclusion Amount (DSUEA) and simply transferring all assets to a surviving spouse may make the planning process more complicated.<sup>2</sup>

Typically, the surviving spouse may benefit from the trust and the trustee may distribute income to the surviving spouse as needed. If properly structured, upon the survivor's death any remaining trust assets may be distributed to beneficiaries free of federal estate taxes.

### Example 1

#### Assets pass to beneficiaries through a Credit Shelter Trust



#### First spouse dies in year 1

All or a portion of the estate—up to the applicable federal estate tax exclusion amount—transfers to a CST.

#### Surviving spouse dies in year 20

Accumulated net trust assets are distributed to beneficiaries.<sup>3</sup>

<sup>1</sup> The applicable federal estate tax exclusion amount (indexed for inflation) is \$11.58 million per individual in 2020. The estate tax is unified with the federal gift tax and generation-skipping transfer such that in 2020 the lifetime gift tax exclusion and generation-skipping transfer tax is \$11.58 million (indexed for inflation) and the maximum tax rate for both of these taxes will be 40%. The estate and gift tax exemption are set to expire on 12/31/2025 and revert back to \$5.6 million per person increased by inflation. (Source: "Frequently Asked Questions on Gift Taxes," IRS, accessed January 2020: <https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes>). For current information and an assessment of your unique situation, please consult your tax professional. This hypothetical scenario assumes 30%, or \$5 million, of the first spouse's estate transfers to the CST and the remaining 70% passes to the surviving spouse.

<sup>2</sup> The DSUEA is not indexed each year and there is no portability of the generation-skipping transfer tax (GSTT) to benefit multiple generations. The unused exclusion from a pre-deceased spouse will be lost if the surviving spouse remarries and survives his or her next spouse.

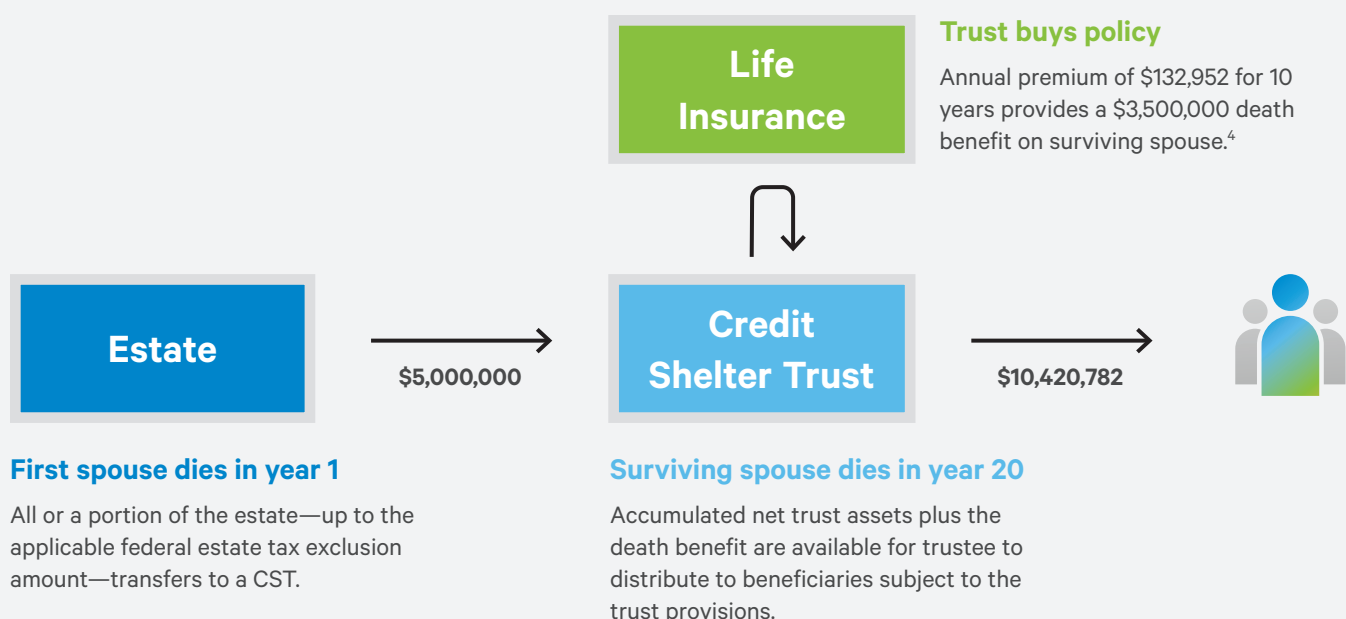
<sup>3</sup> This scenario assumes an average annual pre-tax growth rate of 5%. The net to beneficiaries of \$9,030,556 is the after-tax value at the end of year 20 and assumes the trust's federal income tax rate is 40%.

## Maximize the value of your legacy

In some cases, the surviving spouse has no plans to access the trust for living or annual expenses. The primary goal may instead be to transfer wealth. If you share this goal, using all or a portion of the trust assets to purchase life insurance may be an excellent strategy for maximizing the value and security of your legacy.

### Example 2

#### Trust assets are repositioned using life insurance



### The Result:

Beneficiaries receive **\$1,390,226** more than the non-leveraged CST.<sup>5</sup>

<sup>4</sup> The trust must have a provision to purchase life insurance as a trust investment and the trustee should have the authority to purchase life insurance on the surviving spouse. The surviving spouse should not be a trustee in order to avoid inclusion of death benefits in the insured spouse's estate. Please consult your tax professional for more information.

<sup>5</sup> This hypothetical scenario assumes the trust purchases a Symetra Protector IUL for 68-year-old female in the Preferred Non-Nicotine rate class with a face amount of \$3,500,000 and annual premiums of \$132,952 for 10 years. Illustrated at a 5% initial crediting rate, JPMorgan ETF Efficient<sup>®</sup> 5 Core - 1 Year Point-to-Point Index Strategy, current policy charges. Policy remains in-force to age 119 with a no-lapse guarantee benefit for 21 years or to age 89. Illustrated amounts are current as of April 2020, but are subject to change without notice. Please check current index cap and participation rate information. The remaining trust assets are assumed to grow at an average annual pre-tax rate of 5%. The trust is assumed to be a non-grantor trust and the assumed income tax rate is 40%. The net to the beneficiaries of \$10,420,782 is based on the death of the surviving spouse at the end of the 20th year and includes the remaining trust assets of \$6,920,782 and the death benefit of \$3,500,000, which is not subject to federal income or estate taxes.

## Maximize the value of your legacy

### > Tax-deferral

The life insurance policy's cash value grows tax-deferred, potentially reducing trust income taxes.

### > Flexibility

The trust can be fully funded with life insurance or a combination of life insurance and non-life insurance assets.

### > Maximize wealth transfer

Upon the death of the second spouse, life insurance proceeds are paid to the trust free of federal income taxes. Distributions to trust beneficiaries are free of both federal income and estate taxes.

### > Protection

The trust helps protect assets from potential creditors, liabilities and other unforeseen losses.

## Is a leveraged Credit Shelter Trust using life insurance right for you?

### You may benefit if:

- You have assets above the applicable exclusion amount.
- A Credit Shelter Trust is part of your estate plan.
- You plan to leave the trust's assets to your beneficiaries.
- Your income needs are fully met through other sources.
- You'd like to leave a larger legacy to your beneficiaries.

**If these apply to you, contact your insurance professional to learn more.**

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Guarantees and benefits are subject to the claims-paying ability of SymetraLife Insurance Company. Symetra Protector IUL has fixed and indexed accounts. Interest credited to the indexed accounts is affected by the value of outside indexes. Values based on the performance of any index are not guaranteed.

Symetra reserves the right to add, modify or remove any index strategy or crediting method. If any index is discontinued or if the calculation of any index is changed substantially, Symetra reserves the right to substitute a comparable index.

Except for the JPMorgan ETF Efficiente® 5 Index, an index does not include the payment or reinvestment of dividends in the calculation of its performance. It is not possible to invest in an index.

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