



Living Trust with Irrevocable Life Insurance

An irrevocable life insurance trust (an "ILIT") is an irrevocable trust created for the principal purpose of owning a life insurance policy. As with any other trust, the insurance trust is a contract between a grantor and a trustee to administer certain property, in this case an insurance contract, for the benefit of named beneficiaries. The insurance trust, like other irrevocable trusts, cannot be rescinded, amended, or modified in any way after it is created. Once the grantor contributes property to the trust, he cannot later reclaim ownership of the property or change the terms of the trust.

One of the primary reason executing a life insurance trust is estate tax considerations. If an ILIT is properly structured, the death benefits paid to the trust will be free from inclusion in the gross estate of the insured. In addition, the ILIT can also be structured so that the trust will provide benefits to the insured's surviving spouse without inclusion in the surviving spouse's gross estate either.