



SPLIT:

Woman, age 66, had \$300,000 of CD's that she was leaving to her only nephew.

The problem was that as a nephew, he is not a Class A beneficiary or consanguineal (Latin for "from the bloodline") kin and would not receive estate tax exemption. He would lose nearly 55% of that \$300,000 to taxes.

The Solution:

The broker explained the tax consequences and had her liquidate the CD's.

He then had her form an Irrevocable Life Insurance Trust and transfer \$300,000 into it.

The nephew was named trustee and used the \$300,000 to buy \$1,845,000 of life insurance on his Aunt.

The insurance is owned by a trust and will be outside her taxable estate when she dies.

The nephew will receive \$1,845,000 totally income and estate tax free, as opposed to the \$135,000 he would have received had he just inherited the CD's.