

Unedited transcript of

Estate Planning with Life Insurance
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Speaker(s)

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>>: We're going to shift gears now to talk about life insurance. So, as I said, this morning, each of these topics we could do a one or two day seminar on just these things alone. So Brian and David are going to rapid-fire and just touch on the key issues for all of those things that you need to be mindful of. So today -- and to sort of home in on the fact that the issues that might come up, we have a panel here. We have an attorney talking about these things and we also have an attorney professional and Heidi touched on you need to know the advisors for the client and this is why. So you can't plan for a client in a vacuum. You need to bring in their other advisors into the fray so the client is best served, so David and Brian are going to tag-team on this discussion. Brian and David are both repeat offenders for this program. They've both -- Brian has been doing this program for me for a long time. Brian is my former law partner as well and then David is an insurance professional. So I'm going to stop talking and I'm going to let you guys take it away.

>>: All right. So I guess to start, sort of like Katie was mentioning at the end of Heidi's presentation, why we use life insurance. In my practice the majority of the time when I'm dealing with life insurance I'm also collaborating with other professionals. So more often than not, it's another person or myself working together to sort of put a plan in place. And more often than not having a group of trusted advisors is the most beneficial and for me on the insurance side, I'm an independent insurance advisor so I can use all companies. Sometimes, that puts me in a little bit of a position for the people that I work with. Moving down -- I know we're supposed to

go fast. I'll try to be very concise on everything. The main reason that most people start their initial life insurance planning is for replacement of income or as this slide says to provide security. Whether it is an initial mortgage, whether that be in today's world, I'm seeing lots of people, whether it used to be just traditional single-family homes, but now many young professionals are purchasing beautiful condominiums, all throughout Massachusetts and New England and with higher mortgage amounts, a lot of the mortgage carriers or companies are requesting or requiring mortgage insurance. So typically, when I'm planning with people, we will be looking at doing the security for basically three main reasons. One would be for paying off a mortgage, whether you're a single person or a married couple, or somebody living together that's not married. The second piece that a lot of families are looking at relative to security is educational expenses. As everybody knows, educational costs have gone increasingly higher over the last number of years so when I'm doing an insurance planning process I always ask if there was an early death for either spouse or parent, if they would have interest in having liquid cash available for the benefit of providing money for schooling? And so if that's the case, we will look at that for higher education, but the most important piece sort of like this is speaking to is the replacement of income, and that can be in a variety of ways. People will look at the insurance for that opportunity to stay home for a few years, for one of the spouses. Sometimes, it will be one spouse working or both spouses working and one passes away, we'll provide securities to potentially hire, whether it be a nanny or somebody at home to take care of the children and sort of fulfill the day-to-day responsibilities the spouse before was doing. And typically when we're doing this very basic or initial planning process, 99% of the time, the folks that I work with are securing term insurance, which is by far the most -- least expensive and simplest way to get yourself into a life insurance market, that policies have guaranteed premiums and guaranteed death benefits for a certain period of time. The one thing that we'll sort of transition to for point B. that I'll have Brian touch upon is making sure in any of these processes that your beneficiary designations are always accurate. So on the second piece, the liquidity part, that is really what the life insurance does. It's a tax-free death benefit. So regardless of the death benefit provided, if the policy is written properly and structured properly, the death benefit would go to the said beneficiary tax-free, and most of the

companies now are sort of leaning towards for lack of a better word a live checkbook. If somebody passes away once all the documentation is processed with the companies, a live checkbook for somebody to work off. And it can help provide cash for short term or short time frame situations, such as paying off a mortgage or month to month expenses, but here, one of the things that life insurance does provide liquidity for is for people that sometimes have heavy asset classes in real estate and as Brian is going to talk about much further in the program is how life insurance sort of works in tandem with estate taxes. And so more often than not people -- I would say a lot of my clients that are heavy in real estate, have a fair amount of life insurance, typically held in a trust which Brian is going to speak to later for liquidity purposes so that they're not in a sort of a fire sale relative to their properties within the nine month of somebody passing away. For those types of policies if we're looking at liquidity relative to real estate or even liquidity on the business side, more often than not, people will use permanent insurance as a vehicle to provide that liquidity and one of the notes in here that's a little bit further down speaks to second to dying insurance or survivorship life insurance and what that specific product is, is a policy that insures two people. Typically, it's spouses and what it actually does is pays the benefit on the second death, so the carriers are insuring two lives so their netted amount risk is when based on when they feel the second person would pass away, but these types of policies more often than not can be less expensive than securing a policy on a single person and typically, they will be owned and held in some sort of trust. Usually, an irrevocable trust, which I know that Brian is going to speak to at a later point. Brian, I don't know if you want to add anything now relative to the nine months with the estate tax and all that good stuff or if you want to wait.

>>: You can keep going, but kind of what you were saying. A lot of times the life insurance is used to provide liquidity to pay the estate tax burden, especially makes a lot of sense with the second to die policies. That's when the estate taxes would be due if you have a married couple.

>>: Okay moving on. We also have a lot of the planning that we do is for business. Life insurance can be a very good planning tool for people that own businesses, whether they're owning the business alone or if they have

partners. The main reason that we look on it is two fronts. One would be for what we would call key person insurance, which is typically life insurance that is set up for one of the key members of the organization, whether it be one example I could give you is we recently did one for a gentleman that owns a consulting company in the healthcare side. He has about 17 -- he has 17 employees, but he is the, if you will, rainmaker that goes out and secures all the contracts, secures all the business so how it would be set up, if he were to pass away any time in the next ten years, the business would be in a lot of trouble because they wouldn't be able to sustain because this gentleman secures all the business. So what we did was set up a key person policy on the owner, the policy's owned by the business, the premium is paid by the business, the business is the beneficiary of the policy, and what the key factor is, the main reason that we do this is because if something happens to this gentleman, we'll call him David in this situation, the death benefit that would flow back into the business would give them liquid assets upon my death to go out and source a replacement, possibly, to do everything that I was doing, and it gives them a little bit of time, if it takes them six to 18 months to find that new person. So key person coverage is not always just on the business owner. A lot of times in professional services, organizations, I see it a lot, CPA firms, architecture, engineering firms. Any time one of the employees is promoted either to a principal or a partner position, the companies will typically look to take out key person insurance on them, also. Not typically on the death benefit side, a situation where it's a sole owner, but it's a good way to provide protection for the business if something were to happen to that individual. At the same time, we also look at doing what's called -- agreements as listed here in the document. And what that will do is let's say Brian and I were in business together. And something were to happen to either one of us and we're 50/50 owners, what we do is we buy life insurance on each other or there's policies on each other, so if one of us passes away, we would have the ability to have the death benefit come in and be available for me to buy out Brian's family or Brian to buy out my family. More often than not when I'm meeting with people and I'm sure Brian can say the same in this situation that most of the time, people like their partners, but they would never want to be in business with their partner's spouse. So this is a great way to build in some security for each one of the owners. Additionally, and I think it's something that Brian is

going to talk about later, one of the individuals for a business, having the buy/sell agreement with the life insurance, it also provides a step-up, right? For the purchase of the -- of each other's asset amount or, you know, if it's stock, how much the stock is. So that's another great value. And typically, you can have it where the business that owns -- or outside the business, we can use executive bonus strategies to get the premiums out of the business to pay for the insurance. And one last note, which I have been seeing over the last couple of years, anybody that's doing business planning relative to insurance or on a legal side, we've been doing a lot of discussions on disability buyouts. So a lot of times the folks, when we're looking at buy/sell agreements not just if somebody passes away; we're looking at a buyout if one of the two, three, four, five, however many business owners there are, one of the key owners were to become disabled and not be able to work for the business that there's also some money that would come into the business that way to buy them out in that regard. Brian, I don't know if there's anything you want to speak to especially about that other piece of the step-up.

>>: Basically, if you have a cross purchase agreement, meaning you would own the policy on my life, I would own the policy on your life, if I pass away basically, what would happen is you would now have the liquidity to be able to purchase my interest and you would get a step-up in basis on that, but the company owns the life insurance policy and the company is paying the premium, that's a redemption agreement and there's no step-up there, but that's beyond the scope of this presentation. There's courses on business planning and buy-sells and everything. I'll tell you from somebody that drafts a fair amount of buy-sell agreements, it is excessively complicated in drafting a buy-sell when you don't have insurance to fund that buy-sell. You have business owners that are no longer insurable. You're basically giving the surviving owner -- needs to give the deceased's spouse a promissory note to pay off the business interest, which is not always an ideal situation because you can really cash that company. The other thing that's important too, just from a business planning point of view is or estate planning point of view is when you have a business owner whose business takes up a large majority of the overall value of their estate, a lot of times the life insurance can be purchased to equalize the -- the children that never worked in the business so basically, if you have a

child that's involved in the business, they get the business interest at death and the other kids maybe get some cash proceeds, some life insurance policies. So it's used a lot in terms of equalizing distributions to kids at death.

>>: So the next use of life insurance can sometimes be used and probably we should have quotes around this word, investments. There are loss of developments over the years with products and features within life insurance policies. The last number of years have been particularly interesting because of the low interest rate environment that we've been in. There were some policies that had sort of been rolled back because the companies aren't able to provide the guarantees that they once were. So in terms of an investment feature so to speak, there are many life insurance policies that have the ability to grow cash value inside of them because all the cash value that grows inside a life insurance policy is tax deferred, as long as it grows in there and then depending on the structure in which you use it, the cash values could potentially come out tax-free, via withdrawals and loans. And in this sort of scope, of the investment world with the life, there are three different types of policies that you could use. The most traditional and oldest one is the whole-life policy. It has a guaranteed premium, guaranteed cash value and every year, depending on the carrier you're with, they provide dividends to the policy holders which can be allocated towards the cash value to buy additional life insurance and those policies can grow fairly large cash values and I'm seeing a lot of those winter business market, lots of business owners are using their business dollars to secure some whole-life insurance for a number of reasons. And additionally I'm seeing a lot of highly-compensated folks using these types of policies as an alternative to sort of like their fixed investment account where they're seeing some of the companies providing a pretty good dividend and they've got this guaranteed premium and guaranteed cash value component where they're using the whole life policy as another investment pocket, if you will, in their portfolio. Another product is a universal life insurance policy where you would put your premiums in every year and after all the fees come out, whatever is left over in that cash value would be invested in mutual funds. So these policies have a little bit more risk in that you've got the ups and the downs of the markets with no cap and no floor, but I would say 15 to 20 years ago, these were the sort of

benchmark or standard policy that folks would use who are setting up a life insurance policy, relative to using it as an investment piece. Over the last decade, the carriers have sort of augmented that policy and as opposed to all of your premiums going into mutual funds, they were going into indexed accounts. So typically, most of the carriers will offer S&P 500 indexed account minus the dividends so they'll give you a cap 8-9% and a floor of, you know, 1-0%. So even if there's a year in the market that has a really heavy downside, your insurance policy doesn't experience that downside so I've seen a lot of people transitioning to that type of policy for a little bit more security, but there is one important note to understand as this says. All life insurance policies on the cash value side have strict restrictions relative to the maximum amount of premium that can go in in the first seven years relative to the individual's age, and death benefit amount to keep the tax-free nature of the distributions the way it is. So if any of your clients are ever dealing with looking at doing a policy where they're highly focused on that cash value and the quote/unquote investment part of it, just make certain that they understand the seven pay rules and don't exceed those so they can keep that, you know, favorable tax side on the life insurance side. Brian, I don't know if there's anything else you want to add to that.

>>: Nope, that's okay.

>>: We'll move on then. In the last -- the second-to-last bullet here is to wealth replacement and so a lot of times we do use life insurance for a strategy of getting wealth to the next generation, whether it is, you know, in this example using a charitable remainder trust, the funds linked to a charity, I've seen seeing a lot of grandparents setting up life insurance policies for their grandkids and we've been putting them in a different type of trust. There's a lot more of the wealth replacement aspect of life insurance. The biggest piece I think that Brian is going to get to that I've mentioned a couple of times is relative to the irrevocable life insurance trust. That's a big way that we're doing wealth transfer strategies with the life insurance, but typically, we'll see these policies you know, have a specific beneficiary in mind relative to somebody that they're trying to sort of like fill back to. I've also been seeing a lot lately where people have trust funds that they're setting up some life insurance policies to protect that

trust fund because there's so many second and third marriages, some of the children involved in these hybrid marriages are excluded from some of these trust funds. So we're using life insurance to replace some of that wealth that they might not have access to, whether it be a spouse or a child. Brian, I don't know if there's anything else you want to get to. You have a lot more to cover so I'm trying to go fast.

>>: We'll just keep moving.

>>: Okay. And the last piece that I'm going to talk about is the long-term care protection. So I would say in the current world of the life insurance market, traditional long-term care policies are very thin. There's a very thin market. The policy premiums have all gone up significantly, but relative to sort of a life insurance piece, a lot of the companies have come up with ways, with different types of riders, where their permanent life insurance policy will have a long-term care type rider, and it's good it's written in quotes, rider, because there's a couple of different ways they're written. Each company has a different way that they write it. There's a reimbursement plan, which is, you know, a true long-term care rider where you have to have, you know, your documentation for all of your bills and it's sort of, you know, you submit your receipts, and then they pay the activism, and then the chronic illness sort of rider is more an indemnity plan and how that's set up is once somebody goes, they just automatically pay that monthly amount and whether it's \$10,000 a month, \$20,000 a month to the individual, and then they can, you know, use the money as they wish. And for the long-term care rider, it adds whether it's long-term care or chronic illness, it has the same trigger that any traditional long-term care rider would have, that the individual is unable to perform two of the six activities of daily living, eating, bathing, transferring, dressing, maintaining continence or having a severe cognitive impairment. The only note that I would mention on the long-term care riders relative to sort of like the overall planner within an estate plan is that some of the carriers don't allow somebody to have a permanent life insurance policy in a trust while also having the long-term care rider. So if you have any clients or anybody that's considering one of these types of policies, just make sure the structure of the ownership and the beneficiary and all that stuff is set up properly. And I know that Brian wants to go on to the next point.

>>: Yeah, I've got just one thing to add about that, David, and then I'll go on to the next bullet. So as an attorney, when you're sitting with, you know, clients in consultations, I think it's really important to point out the availability of these types of policies because, you know, a lot of times, clients don't have long-term care exposure covered. They don't have any long-term care insurance. Maybe sometimes, you'll see a client's underinsured. And a lot of times clients are hesitant to buy long-term care health insurance products because you could pay premiums for 30, 40 years and never file a claim so you've paid all that premium over the years and you got no benefit from it, but at least this type of policy, one of two things is going to happen. Either you're going to die, and it's going to pay out in terms of death benefits, or if you get sick, you can make a claim against the policy it and use it for at-home skilled care or nursing home care. I tell clients I don't sell life insurance policies, but if you're working with a financial advisor, send them back to that person or if that person doesn't do insurance, you could send them to a professional like David. The other thing that I've seen, you know over the last couple of years, people using life insurance to basically fund a Roth conversion. Following the passage of the secure act on January 1st, 2020, if you have a client that's terminally ill and I'm talking like a hospice type of scenario, they have life insurance placed and a large retirement plan, sometimes, it might make sense to convert either all or a portion of the retirement plan to a Roth with the expectation that the person is going to die within a relatively short period of time. You would have the cash sufficient to fund the Roth conversion. In the right situation, it's a great planning maneuver because you'll avoid the imposition of the ten-year secure act rule whereby the entire plan has to be distributed to a non-spouse beneficiary over a period of ten years. So that a lot of times drives up the ordinary income on beneficiaries' tax returns so that's just one thing that can be used to kind of avoid that. So I've got a lot of material here to cover so I'm going to try to buzz through this as best I can so I don't keep you guys too long. So when you're dealing with insurance, a lot of times people say how's it taxed? Despite what clients believe, life insurance is not always tax-free. So you really need to educate them about that. Generally, the death benefit proceeds of a life insurance policy are not subject to income taxation. However, in Massachusetts, there is -- there are no gift taxes, but federally

there are gift taxes with an exemption eliminate of \$11.6 million and a tax rate of 40% for gifts in excess of 11.7. So if I transfer a policy on my life to another person, to the trust of a benefit of another person, it will be considered a gift to that person with gift tax consequences to the gift maker. Similarly, if payment of a premium on a life insurance policy owned by another person will be considered a gift. This is very important to consider when clients own whole life insurance policies with significant built-up cash value because you can't simply just transfer the policy to a child, to a trust like an -- and ignore the gift tax consequences of doing so. If you make a transfer like that, then you're likely going to have to file an IRS form 709, which is gift tax return to report taxable gift. While the client won't pay any gift taxes unless they've already exhausted their \$11.6 million lifetime gift exemption so really the 709 filing would be an informational filing, but I think the takeaway from that is just to be cognizant of the tax issues involved, if you have whole life insurance with some built-up cash value. So gifts of life insurance are all valued according to their replacement costs. The replacement costs for each type of policy is determined in a different manner. The most common types of policies that you'll see are term insurance and those with cash value. So you know, you want to make sure that you have a life insurance company do the valuation of the policy. That's not really something that you want to try to figure out yourself. But sort of in a nutshell for informational purposes like a termed insurance policy is valued as the amount of the premium that's been paid, but not yet used for the current term. So they typically have very little value. But when you're dealing with cash value policies, life insurance, if it has some built-up cash value, you determine for gift tax purposes by calculating the amount of the premium that's been paid, but not used for the current term. The amount is added to the interpolated terminal reserve, which is an amount calculated by the insurance company of the replacement cost of the policy and any dividend accumulations minus any outstanding policy law. That's how that's calculated. In a state like Massachusetts where we have a very low state estate tax exemption amount, the owner of an asset like a life insurance policy a lot of times will drive the planning and drive married clients to do the AB trust planning are, the marital and family shares, which we'll be getting to in this whole seminar I believe on a later date. But a lot of times, they wouldn't otherwise have needed this tax planning so say, for example, you have some

newlyweds in their mid-20s. They don't really have a lot in terms of overall assets, they don't have any kids or anything like that, but they've just purchased \$1 million term life insurance policies on each other's lives. Just these two policies are going to fully utilize each other's \$1 million estate tax exemptions in Massachusetts should they both die. So the estate tax considerations are important with life insurance. The proceeds of a life insurance would be includable in your taxable estate if at the time of the insured's death you retained any incidence of ownership in the property. So the phrase incidence of ownership is determined very broadly, and it's to include any economic interests and benefits from the policy, such as the power to control any such interests and benefits. So generally, the insured is the owner of the policy and the ownership of the policy is what causes the estate tax inclusion. You must be aware of the incidence of ownership that causes the inclusion, such as the power to change the beneficiary, in any manner, which the beneficiary receives the proceeds, the right to receive the proceeds, alternative in the chances of doing so are remote. They're all considered incidents of ownership that would cause the estate tax inclusion. It would also cause the inclusion even if they're exercised with another person in conjunction with them or if the powers were released within three years prior to death. So the other thing I want to talk about and I do apologize for going through this so quickly, but I want to make sure I get through all this, irrevocable life insurance trusts. They are very, very commonly used in estate planning. And if you're single and you own life insurance and your state is over \$1 million or if you're married and it's over \$2 million, quite often it's drive when you're doing the planning. So term insurance is really perfect for funding, because there's no gift tax issues. Cash value insurance is not quite as good -- when you're funding an ILIT because you lose some flexibility and a lot of times, insurance policies recommend clients get these whole life policies to strip out the cash out of the policy in their later years, in their retirement years. So there are gift tax issues as well, if you have a lot of built-up cash value in the policy. So irrevocable life insurance is created to be the owner and by, of a life insurance policy so if it's created, funded and maintained credible, the death benefit proceeds of the policy would not be includable in the insurance taxable estate because the insured has no incidence of ownership in the policy nor the trust. They've been a very popular tool for removing these insurance proceeds from estates, but because it's an

irrevocable trust, you want to make sure you add flexibility to the trust. So we always add trust protectors, decanting provisions, things like that in the trust because they are irrevocable. So when you're funding a new one, the best way to do it is to have a client purchase a new policy from take 81 so you would give cash into the ILIT and have the ILIT purchase the policy naming itself, naming the ILIT as the beneficiary as well as the owner. In that case, the person could die immediately after funding the ILIT and the insurance death benefit proceeds would not be includable. However, that's not always an option if the insured is no longer insurable or if the rates have risen dramatically due to current medical condition, you might need to transfer an existing policy to an ILIT. This transfer will be considered a gift and the transferred policy will be valued for gift tax purposes as previously discussed. If the insured survives for three years following the date of the transfer, then the life insurance death benefit proceeds would not be includable in their taxable estate so that's a really important thing to understand. So if the person dies before the three years goes by, then the death benefit proceeds would be includable in their taxable estate even if they're funded as one ILIT. The only way around that is to basically seed money into the ILIT and have the ILIT purchase the existing policy for fair market value. Once again you want to make sure you have an insurance company prepare the valuation if that's what you're going to be doing. And when you have an ILIT in place, it's really important to make sure that you maintain the policy correctly. So in order to maintain the insurance policy held by the ILIT, you're going to need to prepare -- you need to make annual payments to keep the policy in place, even the only asset in the ILIT is the insurance policy. The insured just make gifts to the trust sufficient to pay the premiums to make sure that the gifts qualify as annual exclusion gifts, which is currently \$15,000 per person, the beneficiaries of the trust must be given a present interest right to withdraw their pro rata portion of the gift. It's accomplished by including crummy withdrawal rights, which is a case that held as long as you give the beneficiary of an ILIT the present interest rate to withdraw the gift made to the trust, then it would qualify as an annual exclusion tax-free gift. So therefore, the crummy withdrawal notice is basically a written notice that needs to be sent to each of the beneficiaries, providing with actual knowledge that a gift was made to the trust and giving them a set period of time to withdraw their portion of the gift. Generally, we use 30 days, if the beneficiary's a minor, you want to

have the non-donor parent sign on behalf of the child. It's important you should advise your clients to maintain the crummy notices in case there's an IRS audit. It's important to advise your clients -- right to withdraw their benefit on behalf of the -- on behalf of the beneficiary, although a wise beneficiary will understand that if they elect to withdraw their gift, there will be no money in the ILIT to pay the premiums so the policy will lapse and that can really thwart the person's estate plan. The ongoing administration of an ILIT can be tedious for sure, so it's generally advisable to have the premium payments made annually so you're not doing it on a monthly basis. It's important to establish a trustee, to accept the premium gifts and pay the premiums, prepare the withdrawal notices. Many firms, such as ours will assist the trustee to prepare those notices. And to make sure that the trust is administered properly. Sometimes, we also serve as the lifetime trustee, especially if it just holds a term insurance policy so the duty for administering the life insurance trust is basically on us during the lifetime and once the insured passes away, you could always have the surviving spouse step in and serve as trustee at that point, but it's really important to make sure that these things are administered correctly. We'll see clients that they have best intentions and who they name as trustee and you follow up with them in a couple of years, no crummies were ever prepared, the premiums are being paid directly out of the client's bank account, they're not going into a separate account. So it's really important to follow up with clients and make sure that they're doing this correctly. So sometimes, the life insurance premium costs exceed the number of beneficiaries. So, for example, let's say you draft an ILIT and there are two beneficiaries and the premium payment is \$32,000 annually. So you can only cover \$30,000 in premiums by the \$15,000 tax-free gifts to each of the two beneficiaries. So if you don't have any remote beneficiaries named in the trust, that you're going to give a crummy withdrawal notice to, you have to X prepare an informational gift tax return to cover that \$2,000 over the annual inclusion gift amount. So there's a case, Christofani case that allows you to basically name remote -- your remote beneficiaries as individuals in the trust that are allowed to receive a crummy withdrawal notice. Obviously, you need to explain this to these remote beneficiaries because if you're getting a notice saying that you can withdraw money and gift the money to a trust, at some point, they're going to probably expect to get something from the trust where you're really just using them to cover

the gifts made to the trust so you don't have to file a gift tax return. So it's certainly advisable to make sure that they know what's being done here. And then obviously once again, because these trusts are irrevocable, you want to put in flexibility, decanting provisions. Like I previously talked about. And it's also vital that the life insurance trust is not required to pay any expenses on behalf of the estate. You can give the ILIT the option to pay the expenses. You also want to include savings language in the ILIT to make sure that the insured does not survive -- in case the insured does not survive the three-year inclusion period. The language would direct the insurance premiums -- marital deduction to defer paying the estate tax as long as possible. You should also obtain in writing who's responsible for making sure that the policy is owned correctly and list the correct beneficiary. If your client's the person handling this ask that they send you written confirmation from the insurance company that both of these items have been taken care of, in other words, that it's owned correctly. You should also determine in writing who's responsible for sending and maintaining the crummy notices and where necessary filing gift tax returns if you don't have enough beneficiaries to cover the premium payments. Although you will have thoroughly discussed it with your client during the terms of your engagement you also want to put in writing once again that that the irrevocable trust is irrevocable, just to make sure that you're covered. You know, in terms of drafting these ILITs, especially in insurance, a lot of times we have those trusts drafted as grantor trusts for income tax purpose shows you can avoid getting a separate tax I.D. number for the trust because you're not going to be filing any tax returns, if the trust only owns a term life insurance policy because there's no income being generated and as soon as you get a tax ID number what will happen is if you don't have a tax as grantor trust, basically, the IRS is going to be looking for you to file a trust return which you're not going to be filing a return because your income, there's going to be no reportable income there. So just be mindful if you do that, you might get some pushback from a bank when you're opening up an ILIT account if you use the social of the grantor, see sea you might need to educate the folks at the bank by giving them a copy of the IRS treasury regs that shows that you can do that. It's something that we do routinely. And once again like I previously said, if we're serving, for example, as the lifetime trustee on an ILIT, you could have the spouse as the successor co-trustee. We would usually do that at

death, have them come on as death trustee or serving as the death trustee with another independent trustee. Life insurance can also be used to replace the costs of long-term care so if you have a client that doesn't have any long-term care insurance in place and they get sick, a lot of times that can significantly impact the overall value of their estate. So by having life insurance in place can infuse cash back into a person's estate. So I really flew through that because I wanted to be mindful of the time. I didn't want to keep anybody. It looks like we're right on point here in terms of timing.

>>: Yes. Well done. And apologies for that. We had some technical glitches this morning. So we had to pause and so Heidi got off to a little bit of a later start which, of course, eats into your time, but you guys did a great job.