



HIGHTOWER  
Trust Company

# CASE STUDY

## CASE STUDY

### Irrevocable Life Insurance Trust (ILIT)

**CLIENT PROFILE:** Hightower advisor Josh has clients Mark and Sarah, who are a married couple in their early 40s with two young children. Mark is a successful entrepreneur, and Sarah is a physician. They have accumulated significant wealth through their careers and investments and want to ensure that their children are provided for in the event of unforeseen circumstances. They are also concerned about potential estate taxes and want to minimize the tax burden on their heirs.

**CHALLENGE:** Josh wants to help Mark and Sarah assure that their children are financially secure and able to pursue their goals, even if something were to happen to them. They are concerned about the impact of estate taxes on their assets and want to maximize the value of their estate for their children. Additionally, they want assurance that their life insurance proceeds will be used efficiently to provide for their family's needs.

**SOLUTION: AN IRREVOCABLE LIFE INSURANCE TRUST (ILIT)** could be an effective solution for Mark and Sarah to address their concerns and achieve their estate planning goals. Josh contacted Hightower Trust Company who were able to partner with an attorney he referred to Mark and Sarah and design an ILIT that would provide the following benefits:



01

**ESTATE TAX MITIGATION:** By establishing an ILIT and transferring their life insurance policies into the trust, Mark and Sarah can remove the death benefit proceeds from their taxable estate. This reduces the overall value of their estate subject to estate taxes, potentially minimizing the tax burden on their heirs.

02

**FINANCIAL SECURITY FOR CHILDREN:** The ILIT can be structured to provide for the financial needs of Mark and Sarah's children in the event of their death. Upon the death of either or both parents, the trust can be structured to distribute the life insurance proceeds income tax-free to the children, ensuring that they have financial resources for their health, education, living expenses, and other needs.

03

**CONTROL AND PROTECTION OF ASSETS:** By placing the life insurance policies within the ILIT, Mark and Sarah can exert control over how the proceeds are distributed and used for the benefit of their children. They can designate trustees to manage the trust assets and outline specific conditions for distributions to ensure that the funds are used wisely and according to their wishes. Each state has its own rules regarding insurance policy cash value or death benefit; however, when the policy is held in an ILIT any excess value above state limits is generally protected from creditors of both the grantors and the beneficiaries.

04

**PRIVACY AND AVOIDANCE OF PROBATE:** Assets held within an ILIT typically pass outside of the probate process, providing privacy and efficiency in the distribution of assets to beneficiaries. This can help streamline the transfer of wealth to Mark and Sarah's children without the delays, expenses and public access associated with probate.

05

**FLEXIBLE PLANNING OPTIONS:** Mark and Sarah can customize the ILIT to meet their specific needs and preferences. They can designate beneficiaries, determine distribution schedules, and incorporate provisions for contingencies such as incapacity or changes in family circumstances

**RESULTS:** Use of an ILIT offered Mark and Sarah a comprehensive solution to their estate planning challenges. It provides tax efficiency, financial security for their children, control over assets, privacy in estate administration, and flexibility in planning options. By implementing an ILIT, Mark and Sarah can help ensure that their family's financial future is protected, and their legacy is preserved for generations to come.

## CONCLUSION

**Hightower Trust Company assists advisors in achieving various estate planning goals for their clients. Among the many strategies we facilitate, ILITs stand out as a tool to help achieve preferred financial outcomes.**

**HIGHTOWERTRUST.COM**

The individuals mentioned are fictional and do not represent actual clients. Hightower Advisors, LLC is an SEC registered investment adviser. Securities are offered through Hightower Securities, LLC, Member FINRA/SIPC. Services provided by Hightower Trust Company. Trust and agency services are provided by Hightower Trust Company, National Association ("Hightower Trust Company, NA"). Retirement Plan Services are offered by Trust Company of Illinois ("TCI"), chartered by the Illinois Department of Financial and Professional Regulation. TCI is a wholly owned subsidiary of Hightower Holding, LLC. Certain individuals and entities in the State of Illinois may use TCI for Trust and Agency Services. Hightower Trust Company, NA is a wholly owned subsidiary of Hightower Holding, LLC, and an affiliate of Hightower Securities, LLC, Member FINRA/SIPC, and Hightower Advisors, LLC ("Adviser"), an SEC registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training. Hightower Trust Company, NA delegates investment management authority to the Adviser. The Adviser receives an investment management fee that is part of the overall trustee fee that is charged by Hightower Trust Company, NA. All securities transactions are processed through registered brokers that are monitored by Hightower Trust Company, NA. The Adviser may earn or accept "soft dollars" commissions on client related transactions in line with Adviser's policies and procedures and within accepted safe harbor uses such as research services which is believed to benefit client portfolios. Hightower Trust Company, NA, relies on Adviser for several administrative services and Adviser is reimbursed for actual costs and for services. This material is not intended or written to provide and should not be relied upon or used as a substitute for tax or legal advice. Information contained herein does not consider an individual's or entity's specific circumstances or applicable governing law, which may vary from jurisdiction to jurisdiction and be subject to change. Clients are urged to consult their tax or legal advisor for related questions. CAS00084396 08.16.24