



HIGHTOWER
Trust Company

CASE STUDY

Enhancing Estate Planning Through a Split Dollar Life Insurance Strategy

CLIENT PROFILE: William and Julia Matthews, both in their 60s, have a net worth of \$35 million. They are concerned about federal estate taxes and are keen on preserving their wealth for their children and grandchildren. Having already reached the limit of their annual gifting, they are seeking a more efficient way to fund a \$10 million life insurance policy held by an irrevocable trust.

CHALLENGE: The Matthews wanted to purchase life insurance to provide liquidity at death and help ensure their heirs could cover estate taxes without having to sell illiquid family assets. However, making large annual gifts to an irrevocable life insurance trust (ILIT) to fund premiums would trigger gift taxes and reduce their lifetime exemption.

SOLUTION: Their estate planning attorney and Hightower advisor Laurel collaborated with Hightower Trust Company, who served as the trustee for the Matthews Family ILIT. Together, they implemented a Loan Regime Split Dollar Agreement, structured as follows:

- William and Julia loaned premium amounts annually to the ILIT to fund a \$10 million universal life insurance policy.
- The loan was documented with an interest rate set at the IRS Applicable Federal Rate (AFR), minimizing gift tax exposure.
- The ILIT owns the policy, keeping it outside the Matthews' taxable estate.
- Upon death, the ILIT will repay the outstanding loan using part of the death benefit. The remaining funds pass to heirs tax-free.





RESULTS: No large taxable gifts were made, which preserved the Matthews' unified credit. The life insurance proceeds will provide immediate liquidity for estate taxes. Hightower Trust Company provides ongoing administration of the split dollar arrangement, including loan tracking, compliance oversight, and trust reporting. As a result, the family's legacy is protected, and their estate plan remains tax-efficient and flexible.

CONCLUSION

Split dollar life insurance, when implemented with the right partners, can offer significant tax advantages and help to preserve family wealth. Hightower Trust Company is positioned to serve as a trustee in these sophisticated arrangements, offering national charter flexibility, deep trust experience, and seamless coordination with your Hightower Advisor and estate planning team.

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