

Wealth Replacement (aka Capital Replacement)

CONCEPT APPLIED:

Wealth replacement is an estate planning technique that lets donors make substantial gifts to charity without compromising the financial security of family members.

HOW IT WORKS:

A donor funds a charitable remainder trust (CRT) with long-term appreciated property and an ILIT with a life insurance policy. The donor uses the annual income from the CRT to make gifts to the ILIT to pay the insurance premiums. At the owner's death, the selected charity receives the remainder amount in the CRT, and the ILIT receives the policy death benefits. The trustee distributes policy proceeds to the donor's heirs.

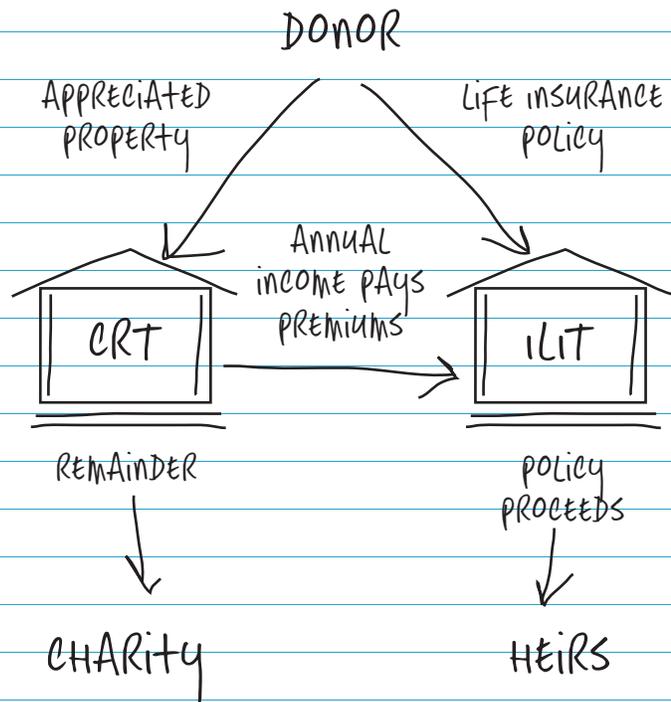
WHY IS IT USEFUL?

The primary advantage is the donor's ability to make a major charitable gift without adversely affecting family inheritances. However, the donor also:

- removes the donated property and the life insurance from the gross estate,
- receives a tax deduction for the charity's remainder interest on the initial transfer, and
- avoids any capital gains tax on appreciated property transferred to the CRT.

50 WORDS OR LESS

By combining a charitable remainder trust (CRT), an irrevocable life insurance trust (ILIT) and a life insurance policy, donors can (1) make large charitable gifts and (2) replace the value of the donated assets with life insurance that benefits heirs.



hightoweradvisors.com

**200 W Madison, 25th Floor
Chicago, IL 60606
(312) 962-3800**

**300 Madison Ave, 29th Floor
New York, NY 10017
(917) 286-2717**

**405 Lexington Ave, 42nd Floor
New York, NY 10174
(917) 286-2706**

Copyright 2024, PGI Partners, Inc. ("PGI"), 921 East 86th Street, Suite 100, Indianapolis, Indiana 46240. All rights reserved. PGI provides this information as accurate and authoritative with regard to the subject matter covered as of the date of creation. However, the accuracy of the information cannot be guaranteed since laws and interpretations change. This information herein is not legal, accounting, financial or tax advice. If legal accounting, financial or tax advice, or other expert assistance is required, the services of a competent professional should be sought. PGI is not liable for any loss or damage caused, or alleged to have been caused, by the use of or reliance upon this service.

This information is presented as general information to clients of Hightower per their request or at the suggestion of their Financial Adviser. This document was created for informational purposes only and the opinions expressed are solely those of the team and do not necessarily represent those of Hightower Advisors, LLC, or any of its affiliates. This document and its contents are directed to the specific Hightower client to whom it was addressed and may not be forwarded, copied or relied upon by any other party.

All information and data referenced herein are from sources believed to be reliable. Any opinions, news, research, analyses, prices, or other information contained in this general informational article is provided as general commentary and does not constitute investment advice. Hightower shall not in any way be liable for claims, and make no expressed or implied representations or warranties as to the accuracy or completeness of the information or data, or for statements or errors contained in or omissions from the obtained data and information referenced herein. The data and information are provided as of the date referenced and such data and information are subject to change without notice.

Hightower Advisors, LLC, a registered investment advisor with the SEC. Hightower Advisors is affiliated with Hightower Securities, LLC, which is a member FINRA and SIPC. Securities are offered through Hightower Securities, LLC; advisory services are offered through Hightower Advisors, LLC. No offer of any securities is made by this general information article.

Trust and agency services are provided by Hightower Trust Company, National Association ("Hightower Trust Company"), 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.