Estate planning using life insurance

With the right life insurance strategy, you can protect who and what you care about while creating opportunities for your wealth to go further.

MERRILL
A BANK OF AMERICA COMPANY

Overview

- Why life insurance?
- Types of life insurance
- Who should own the policy — an individual or a trust?
- How life insurance in an irrevocable trust works
- Ways to fund the purchase of life insurance in a trust

Family

- Take care of those who matter most and maximize your wealth
- Term life insurance and permanent life insurance
- Spousal Lifetime Access Trust
- Leveraged Credit Shelter Trust
- Life insurance for blended families
- Special Needs Trust
- Dynasty Trust
- Incentive Trust
- Grantor Retained Annuity Trust
- Intentionally Defective Grantor Trust

Business

- Protect your business from the unexpected
- Buy/sell succession strategy
- Equalizing your estate
- Key person protection
- Business loan collateralization

Philanthropy

- Making your wealth go further for the causes and people who mean the most
- Charitable gift of life insurance
- Charitable Remainder Trust

Let's connect

- Helping you pursue your goals with life insurance

Why life insurance?

You may already own life insurance or be aware of its primary use — providing money to your family or other beneficiaries when you are no longer here. Yet, the value that life insurance can bring to a comprehensive, integrated estate plan goes far beyond providing cash liquidity through the payment of death benefits.

Whether you want to leave a legacy to your family for generations to come, assure the continuation of a business you have built or make a significant impact through philanthropy, the strategic use of life insurance can help you address your goals. Your advisor, working together with insurance specialists, trust specialists and your attorney, can help you identify the right life insurance strategy for you.

Diversification

Guarantees

Competitive rate of return

Tax-advantaged death benefit

Tax-deferred growth potential

Liquidity

Why life insurance? (continued)

Benefits of life insurance

Life insurance can be a versatile tool and offer powerful benefits to enhance your legacy and complement your overall financial strategy.

Diversification

As part of a well-balanced estate plan, life insurance offers the potential for the diversification of non-correlation to traditional market-driven investment vehicles.[1]

Guarantees

Certain permanent life insurance policies can provide guaranteed lifetime protection; as long as the premiums are paid, excess withdrawals are not taken and the policy remains in-force. Other assets that are tied to market conditions cannot be relied upon to assure you of the value of the wealth you transfer in that way.[2]

Competitive rate of return

Upon the insured's death, the death benefit paid to beneficiaries is not income taxable. Therefore, the potential rate of return on the premiums you pay can be competitive compared to taxable investments, potentially ensuring more money for the people you love and the things you care about.

Tax-advantaged death benefit

When properly structured in an irrevocable trust, life insurance death benefit proceeds are distributed to heirs free of income, gift and estate taxes.[3]

Tax-deferred growth potential

Besides death benefit coverage, permanent life insurance may include a cash-value element that builds tax-deferred over time. You can access the cash value through tax-advantaged loans or cash withdrawals. This can be beneficial for supplementing your lifetime income needs.[4]

Liquidity

As long as a beneficiary is named on the policy, life insurance death benefit proceeds are paid out in cash without the potential delays of probate, and thus become quickly available to heirs to cover immediate expenses. The death benefit proceeds can help to pay estate taxes, purchase assets from your estate to prevent a forced sale or lend money to the estate.

[1] Diversification does not ensure a profit or protect against loss.

[2] All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. They are not backed by Merrill or its affiliates, nor does Merrill or its affiliates make any representations or guarantees regarding the claims-paying ability of the issuing insurance company.

[3] Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are a few exceptions, such as when a life insurance policy has been transferred for valuable consideration. There is a three year look-back period that may apply after policy transfer. If the transfer takes place within the three years before death, the proceeds from the policy are counted in the estate for tax purposes.

[4] Loans and withdrawals reduce policy cash value and the death benefit, may have tax consequences and may cause the policy to lapse. Policies that are structured as Modified Endowment Contracts (MECs) do not have the same tax advantages as non-MEC designs and are not suited to this purpose.

Types of life insurance

You have a choice between two fundamental categories of life insurance — term life or permanent life.

Term Life Insurance	Permanent Life Insurance
• Offers death benefit coverage, usually up to age 95. • Has no cash value and typically has level premiums for a pre-determined period of time, usually ranging from five to forty years. • During the level premium period, the death benefit is guaranteed. After the level-premium period, premiums increase significantly each year, based on the insured's age and amount of coverage. • Provides protection to younger individuals and families at an affordable price. • Can provide income replacement and family protection during peak earning years or while raising a family.	• Offers death benefit coverage for the insured's entire lifetime, as long as sufficient premiums are paid to keep the policy in force. • Protects family by providing financial security at your death. • Can enable wealth transfer goals. • Policyholders may be able to access policy cash value through withdrawals and loans, depending on terms of the policy.[5]

[5] Loans and withdrawals reduce policy cash value and death benefit, may cause the policy to lapse and may have tax consequences. Not all permanent insurance has cash value.

Who should own the policy — an individual or a trust?

Life insurance can be used to maximize your wealth and pass it on to the people or causes that are important to you with less risk and the potential for greater tax efficiency.

Creating a tax-efficient pathway for wealth transfer using an irrevocable trust

When your life insurance policy is owned by a properly structured irrevocable trust, it can:

Enable you to dictate how and when the death benefit proceeds will be distributed to your trust beneficiaries	Allow the death benefit proceeds to pass outside of your estate — providing greater tax-efficiency	Provide liquidity to help offset federal or state wealth transfer taxes (preventing a forced sale of estate assets)

Specific types of irrevocable trusts can be drafted by your attorney to help meet various family, business and philanthropic goals.

More flexibility and control when owned individually

While holding your life insurance policy in a trust offers a host of powerful benefits, there are a few potential drawbacks you may want to consider:

Placing any assets in an irrevocable trust means you relinquish all control over those assets; and any future modifications to the trust must be made by the trustee	Depending on the complexity and size of your estate, you may not need a trust's protections surrounding the use and taxation of death benefit proceeds	If you plan to use your annual gift exemption to transfer assets to a trust, you won't be able to make other tax-free gifts to that beneficiary in the same year	There's no guarantee that current gift and estate tax laws won't change in the future; an irrevocable trust will make altering your estate plan more challenging

How life insurance in an irrevocable trust works

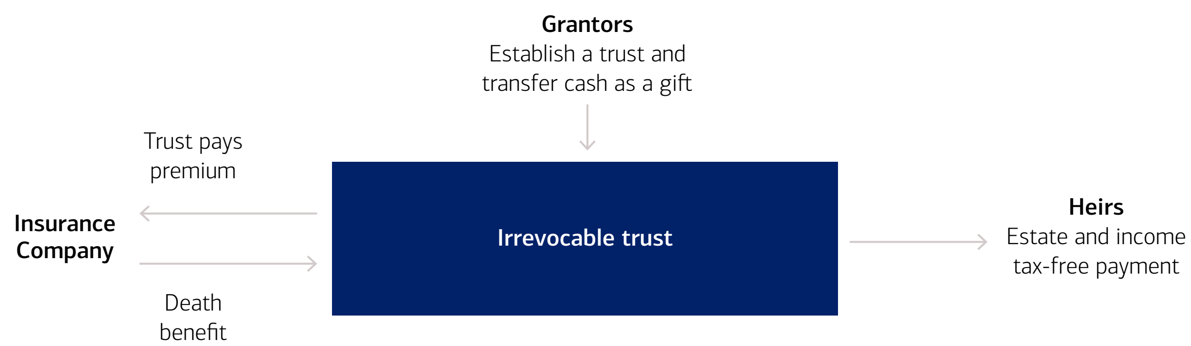
The first step is to establish an irrevocable trust, which will serve as the owner and beneficiary of a life insurance policy insuring your life. As grantor of the irrevocable trust, you name another party or parties to serve as trustee. Once established, the trustee can use trust assets to pay life insurance premiums. In addition to life insurance, an irrevocable trust can own almost any kind of asset: cash, stocks, bonds, mutual funds and real estate.

It is important to remember that it is irrevocable, and you will typically be unable to change its terms without legal proceedings once it has been established. Additionally, the assets that you transfer to the irrevocable trust are no longer your assets. The trustee will manage the trust assets, and the individuals who have been named as beneficiaries will receive those assets pursuant to the terms of the trust.

Because the assets, including the insurance policy on your life, are no longer your own, any benefits received by you from the trust could nullify the purpose of the trust and bring the life insurance death benefits into your taxable estate. Therefore, living benefits, such as those from long-term care and chronic illness coverage, are not typically included.

Did you know?

The benefits of purchasing life insurance in an irrevocable trust can be even greater if a married couple has the trustee purchase a second-to-die life insurance policy. Generally, the cost will be less than two single-life policies, so for the same premium, you may be able to purchase a larger amount of coverage.



For illustrative purposes only.

Ways to fund the purchase of life insurance in a trust

Depending on your current financial situation, you may want to consider various strategies for funding an irrevocable trust to purchase life insurance.

Gifting

Gifting assets to pay the life insurance premiums held in a trust provides an opportunity to leverage the value of the annual gift tax exclusion or lifetime gift exemption. If the trustee uses gifts to pay for life insurance, the death benefit can often be substantial as compared to the value of the original gift — thus maximizing the wealth you pass on.

Shaping your wealth transfer plan to help minimize transfer taxes

You

Your spouse

Marital deduction: Unlimited tax-free transfers to spouses who are U.S. citizens

Beneficiaries

Annual exclusion: $19,000 per recipient per year

Lifetime gift exemption: Allows aggregate lifetime gifts up to $13.99 million in 2025 free of federal gift tax

Taxable transfer: At gift tax rates

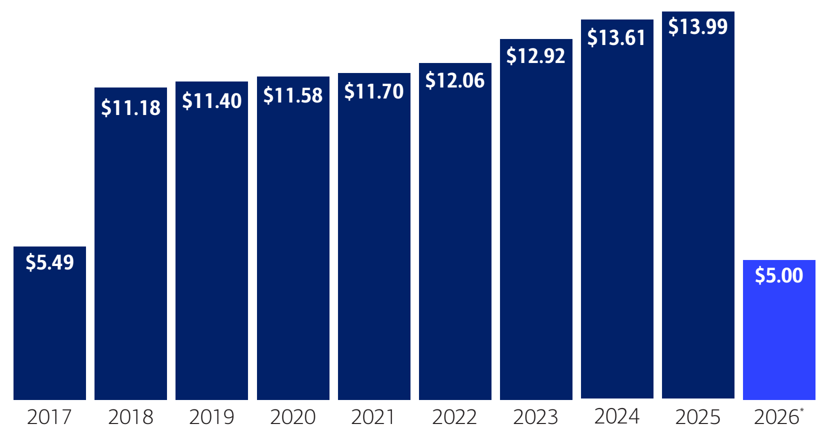
Education/ healthcare

Payments made directly to a provider (such as a school or physician) for qualified tuition or healthcare expenses are not considered taxable gifts

Charitable entities

Charitable deduction: Unlimited tax-free transfers to qualified charities[6] (Income tax deductions may be limited in certain situations)

Federal gift, estate and GST exemption amounts
$ millions



* Year 2026 will revert back to pre-2018 levels or $5 million, subject to an annual inflation adjustment from 2010.

The Tax Cuts and Jobs Act of 2017 (2017 Tax Act) increased the allowable lifetime gift tax exemption amount through 2025, after which it will revert to pre-2018 levels adjusted for inflation. This creates a potentially limited window of opportunity to gift more.

[6] Applies to gifts to private foundations as well as to public charities.

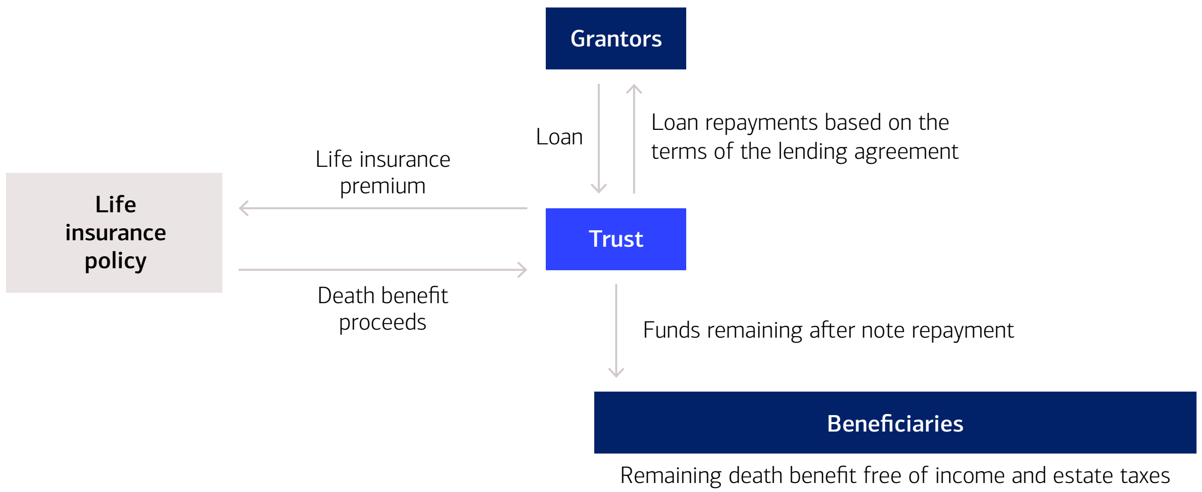
Ways to fund the purchase of life insurance in a trust (continued)

Personal loans

Another tax-advantaged way of paying life insurance premiums within an irrevocable trust is through a personal loan between you, as grantor, and your irrevocable trust. Because you are lending, rather than gifting, money to the trust for the purchase of the life insurance, higher amounts may be utilized without triggering gift taxes. The loaned funds must be repaid with interest at a rate determined by the IRS[7] to be considered an arm's length transaction.
You should work with an attorney to develop a lending agreement.

Did you know?

If your current assets exceed what is necessary to support your retirement lifestyle, you may be able to increase your legacy with an asset repositioning strategy using life insurance. The investments you have accumulated for retirement may not be the most efficient vehicles for transferring wealth to your heirs. Assets such as IRAs, annuities and municipal bonds held in your estate at death may be subject to taxation. Incorporating life insurance has tax benefits that could increase the overall value of wealth transferred.



[7] Internal Revenue Code Section 1274(d) governs the determination of the interest rate associated with private loans. These Applicable Federal Rates (AFRs) are published monthly by the IRS. (Source: https://www.irs.gov/applicable-federal-rates)

Take care of those who matter most and maximize your wealth

If you have loved ones you want to protect, it's important to consider the impact the loss of your income would have should you unexpectedly die. Life insurance can provide ready cash to your beneficiaries. The liquidity of a death benefit can help cover your family's immediate financial needs, replace future income and help them reach important financial goals — providing cash to compensate for the loss of planned savings and potential earnings.

Perhaps you want to ensure the welfare of generations of your family into the distant future. Or maybe you need to address a special family situation that presents particular challenges when planning for wealth transfer — such as a special needs individual who will require continual care or members of a blended family whom you want to treat individually but fairly.

Life insurance, properly structured within various trust instruments, can help you achieve these goals.

It's important to me...

It's important to me...

To provide income protection and help my family achieve planning goals if I die unexpectedly

Regardless of your family structure, life insurance can provide your loved ones with much needed cash if you should unexpectedly die — allowing them to worry less about the future.

The liquidity afforded by a policy's tax-free death benefit could help your family avoid both short- and longer-term financial hardships by:

- ✓ Paying off a mortgage or other debt
- ✓ Providing a replacement for lost income or services (such as childcare)
- ✓ Facilitating "self-completion" for your long-term financial goals (such as retirement or education savings), by providing the cash to compensate for the loss of future savings and potential earnings
- ✓ Affording the means to settle final medical and estate expenses

There are two basic life insurance options to help you achieve these goals:

1 **Term life insurance** which lasts for a specific, pre-determined period of time

2 **Permanent life insurance** which lasts your entire lifetime as long as sufficient premiums are paid to keep the policy in force

Depending on your needs, you may want the affordability of term life, which can be an ideal solution for temporary, short-term needs like paying off a mortgage. Or you may prefer the lifelong protection and ability to build cash value that most permanent life insurance policies offer.

It's important to me…

To provide for my spouse during my lifetime and after by minimizing tax burdens

Minimizing taxes on the estate that will pass on to your spouse can make a significant difference in the net amount he or she will inherit. By properly structuring assets within an irrevocable trust, you can protect those assets from estate taxes. Life insurance in a trust can further protect assets from income taxes. Life insurance can be combined with specific types of trusts to address particular needs, such as ensuring the financial comfort of a spouse.

Spousal Lifetime Access Trust (SLAT)

A SLAT is an irrevocable trust used by married couples who want to maintain their current lifestyle and the lifestyle of the surviving spouse, and also leave a final legacy.

Funding a SLAT with your gift tax exemption allows the trustee to use those funds to purchase a life insurance policy for you with your spouse as beneficiary. Your spouse can take federal income tax-preferred loans or cash withdrawals from the policy during your lifetimes to help supplement future income or fund other long-term goals.

After your death, the death benefit and other assets are passed on to your spouse outside of your taxable estate. Upon the death of the spouse, the assets owned by the trust, including the life insurance death benefit proceeds, will pass to the designated beneficiaries and will potentially remain outside the taxable estate of the surviving spouse, leaving a larger legacy to those important to you. Proceeds can also be used to purchase assets from the estate or lend money to the estate to offset estate taxes.

Leveraged Credit Shelter Trust

A leveraged credit shelter trust helps married couples take advantage of the full estate tax exemptions of each spouse to maximize what is finally left for children and other heirs after they both pass away.

If you die without a trust in place, your spouse can use a credit shelter trust (sometimes called a bypass trust) to pass along assets so they are not considered part of his or her estate and not subject to estate taxes. These assets are used to purchase a life insurance policy on the surviving spouse with the credit shelter trust as the owner and beneficiary of the life insurance policy. Upon the death of the surviving spouse, the assets owned by the trust, including the life insurance death benefit proceeds, will pass to the designated beneficiaries and will potentially remain outside the taxable estate of the surviving spouse, leaving a larger legacy to those important to you.

It's important to me...

To have a wealth transfer plan that prioritizes my special family situation

Overview
Family
Business
Philanthropy
Let's connect

When it comes to families, each has its own makeup and unique circumstances. A properly structured trust provides the control to accommodate different family scenarios. In a variety of instances, a life insurance policy within an irrevocable trust holds the key to securing a specific wealth transfer amount while minimizing taxes.

Life insurance for blended families

You may be part of a "blended family" because you've remarried after a divorce or as a result of widowhood. Blended families may include children who are far apart in age, with some requiring provisions for their continued care and education, while others are grown and self-sufficient.

If certain trust assets, such as the family home or education funds, are earmarked for younger children, life insurance within the trust can be used to provide a specific, equalized amount for older children, while minimizing taxes. Similarly, if one child will take over your business upon your death, other children can inherit similar, guaranteed amounts through permanent life insurance policies held in a trust.

Special Needs Trust

If caring for a special needs child or other heir is important to you, a properly structured special needs trust with life insurance offers unique benefits.

A special needs trust funded with life insurance can help you maximize the assets devoted to this goal without impacting other goals, including funding your own retirement or providing for other heirs. After your death, the death benefit proceeds will be used by the trustee to make distributions to support the special needs individual and contribute to his or her quality of life.

The assets pass free of gift, estate and income taxes, so a larger amount will be available for the welfare of the beneficiary. And because the assets are not owned by the beneficiary of the trust, they will not jeopardize benefits under the Supplemental Security Income program, including healthcare and other potential support programs.

It's important to me...

To secure my legacy by my standards

If you are leaving a legacy that ensures financial security and ease for your current family and future generations, you will find there are trusts structured to help you build your dynasty. Additionally, a trust can provide you with a certain amount of control over your estate even after death by allowing you to set parameters that influence how your legacy is used. In conjunction with life insurance, certain trusts may protect your assets from multiple levels of transfer, estate and income taxes.

Dynasty Trust

A dynasty trust is an irrevocable trust that serves as a resource to provide income and support to children, grandchildren and future generations.

With the assistance of an estate planning attorney, you can establish a dynasty trust in combination with life insurance. This combination can be used to leave a multi-generational legacy, up to limits imposed by the laws of the state which governs the terms of the trust. The assets held in the trust in the form of life insurance are protected from future federal gift and death taxes.

Incentive Trust

When it is important to you to influence the use or impact of assets you leave to heirs, an incentive trust can allow for certain conditions to be imposed upon beneficiaries of trust assets.

Perhaps you want to provide a certain amount of your wealth to a grandchild, for instance, but are concerned that inherited money might lessen the child's drive to pursue a higher education or professional career. With this trust vehicle, you can specify that funds can only be dispersed once the grandchild graduates from college, or any other legally permissible requirement you, as grantor, might wish to impose. Combining an incentive trust with life insurance may serve to minimize the effects of taxes.

It’s important to me...

That my heirs get the maximum value from the assets I leave behind

Do you have assets...

That could benefit from a valuation discount, such as a minority stake in a private company?	That may appreciate substantially in value, such as ownership in a company that could be sold or taken public?	That generate strong cash flow, such as commercial real estate?

If you wish to arrange for the transfer of your highly appreciating assets to your heirs while minimizing taxes on that transfer, consider the following trust solutions. Both potentially allow you to remove future appreciation from your taxable estate, leaving more for your heirs.

Grantor Retained Annuity Trust (GRAT)

The GRAT can help you minimize taxes and leave more to heirs by removing future appreciation from your taxable estate from assets such as commercial real estate or a successful business.

As grantor, you transfer specific assets into the trust, retaining the right to receive an annual annuity payment from the gifted assets for a certain number of years. As long as you outlive the GRAT, when it terminates, any property remaining in the trust passes to the remainder beneficiaries without any additional gift or estate tax consequences.

Individuals using GRATs often pair the GRAT with a life insurance policy held in an irrevocable trust that will provide funds to offset any estate taxes that might be triggered if the assets are brought back into the grantor’s taxable estate as a result of an untimely death, but otherwise passes to the trust beneficiaries. The income from the transferred assets can be used to pay the life insurance premiums.

Intentionally Defective Grantor Trust (IDGT)

You can transfer rapidly appreciating assets to heirs with minimal or no transfer tax costs by structuring the transfer as a sale (or gift) to an IDGT.

With this strategy, you make an initial taxable “seed gift” to the trust and pay the income tax, reducing the tax burden for your heirs. The trust purchases or borrows[8] additional assets from you that can be valued at up to nine times the value of the seed gift by issuing an installment note. Future appreciation of the assets sold to the trust is outside of your taxable estate. The estate includes any remaining portion of the note, effectively “freezing” the value of the estate.

Income generated by trust assets can be used to purchase life insurance on the life of the grantor. Death benefit proceeds can be used for wealth transfer taxes and other costs at the grantor’s death.

[8] The loaned funds must be repaid with interest at a rate determined by the IRS to be considered an arm’s length transaction. You should work with an attorney to develop a lending agreement. Internal Revenue Code Section 1274(d) governs the determination of the interest rate associated with private loans. These Applicable Federal Rates (AFRs) are published monthly by the IRS. https://www.irs.gov/applicable-federal-rates

Protect your business from the unexpected

You may already own life insurance or be familiar with its more common uses. But do you know all of the ways it might potentially benefit your closely held business? The untimely death of you, a partner or a key employee can leave both the business and your family vulnerable. Life insurance, however, can offer a layer of protection and invaluable funds to facilitate:

Business partners being able to buy out each other's share if one partner passes away.	Equalizing your estate when some family members are active in the business while others aren't.	Continuity and lost revenue replacement in the event of a key employee's death (while a replacement is identified, hired and trained).	Collateral for a business loan so you don't need to put your personal assets at risk.

It's important to me...

That my business continues on and my heirs are provided for

It's important to me...

That my business continues on and my heirs are provided for

Buy/sell succession strategy

A buy/sell succession plan defines how you and a partner will distribute interests in your jointly held business when one of you dies. Life insurance can be used as a tool to fund this plan.

Using life insurance to fund this plan ensures the transition will be smooth by providing cash from the death benefit, which enables the surviving owner to buy out the deceased partner's interest from his or her heirs. Life insurance policies are purchased on each owner and can be paid for by the business or by each owner.

A buy-sell agreement funded with life insurance can help prevent difficult situations in which a partner finds him- or herself in business with a surviving spouse or other heirs who know little about the business or in which the business must be liquidated or sold in order to settle the deceased partner's estate.

Equalizing your estate

When your business represents a large portion of your estate, it can be challenging to ensure a fair inheritance to heirs who are not active in the business.

The liquidity created by the death benefit proceeds provides a legacy for those not involved or interested in your family business and avoids the forced liquidation of the business in order to fairly divide your assets.

The policy could be owned by you, your heirs or an irrevocable trust, depending on your business succession and wealth transfer objectives.

Key person protection

Life insurance can help your small business survive the death of a key employee by providing the funds needed to replace lost revenue while hiring and training a replacement.

Implementing a key person business continuation plan is easy. The business purchases life insurance policies for each key individual, pays the premium and receives the death benefit.

Key employees could include any employee whose death would create a disruption through the loss of their unique skills or experience.

Business loan collateralization

Taking on business debt secured with your personal assets could put both your family and the business at risk in the event of your untimely death.

By purchasing a life insurance policy to be used as loan collateral, however, you can guarantee the debt repayment and avoid any risk to your personal assets.

Making your wealth go further for the causes and people who mean the most

If philanthropy has been a way of life for you, you may want that legacy of giving to continue even after your passing. Perhaps you have been devoted to supporting a particular charitable organization and want to make sure that they are able to continue their work. Life insurance can be a potential solution to such concerns, ensuring a guaranteed amount to the charity of your choice, while offering tax benefits to your estate and heirs.

Life insurance can also provide a way for you to take care of the charities that matter to you without significantly reducing the amount your heirs receive, providing you with a way to potentially guarantee inheritances and replace wealth earmarked for philanthropy.

It's important to me...

To leave a significant gift to my favorite charity upon my death

To continue my impact through philanthropy while feeling sure my family is taken care of

It's important to me...

To leave a significant gift to my favorite charity upon my death

An outright gift of life insurance can increase your philanthropic legacy and provide a guaranteed amount to the charity of your choice, acting as an important part of your overall estate plan.

Charitable gift of life insurance

Charitable gifts of life insurance are usually structured in one of the following ways:

You can purchase a new life insurance policy where you are the owner and the charity is the beneficiary. You will not receive a charitable income tax deduction, and death benefit proceeds will be included in your estate for tax purposes. However, proceeds will pass to the charity income tax-free.	You can pay premiums on a policy insuring your life that is owned by the charity, that is also the beneficiary. Premiums paid are considered tax deductible as charitable donations.	You can donate an existing policy insuring your life to a charity, so the charity is the owner and beneficiary of the life insurance policy. The donation of the existing policy, plus any ongoing premiums, will be considered tax deductible as charitable donations.

Because the rules regarding charitable income tax deductions are complex, consult your legal and/or tax advisor to determine the amount of your deduction.

It's important to me...

To continue my impact through philanthropy while feeling sure my family is taken care of

Charitable Remainder Trust

For many families, charitable gift planning comes with the concern that they will compromise the financial security they wish to provide for their spouse or heirs.

A Charitable Remainder Trust addresses this "split interest" by allowing distribution payments to the grantor, spouse or other designated beneficiary(ies) from interest-producing assets within the trust. Upon the death of the recipient or the end of a specified term not to exceed 20 years, the remaining trust assets are distributed to the designated charity(ies).

In addition to providing financially for your family and favorite causes, Charitable Remainder Trusts allow for a tax deduction[9] and tax-deferral of the highly appreciated asset, allowing you to diversify a concentrated position without triggering immediate capital gains taxes.

Life insurance, when owned by a Charitable Remainder Trust, can be a useful tool in replacing wealth transferred to charity and preserving the value of the legacy intended for your heirs.

[9] Charitable income tax deductions are based on the calculated value of the transferred assets to the trust. It is important to work with your tax advisor to determine the actual amount of the deduction.

Helping you pursue your goals with life insurance

A comprehensive strategy

Your advisor brings together a full understanding of your priorities and goals as well as your assets, liabilities, risk tolerance and other financial factors to help create a comprehensive strategy. With an advisor you trust and who understands what you're trying to achieve, selecting a life insurance solution doesn't have to be overwhelming.

Choice of insurance solutions

The insurance products we make available to you have gone through our due diligence, which means they meet our selection criteria based on factors such as ratings, financial strength and product innovation. Your advisor, along with our insurance specialists and your legal and tax advisors, will assess different features and benefits to find a potential solution that most closely aligns with your goals and preferences.

Contact your advisor today to identify life insurance solutions that may help you address your wealth transfer goals and priorities.

IMPORTANT INFORMATION

The issuing insurance company, MLLA, MLPF&S and their representatives do not provide tax, accounting or legal advice to clients. Clients should consult their own independent advisors as to any tax, accounting or legal statements made herein.

This material does not take into account a client’s particular investment objectives, financial situations or needs and is not intended as a recommendation, offer or solicitation for the purchase or sale of any security or investment strategy. Merrill offers a broad range of brokerage, investment advisory (including financial planning) and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with your advisor.

Life insurance policies contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges and other charges or fees that will impact policy values. Life insurance death benefit proceeds are generally excludable from the beneficiary’s gross income for income tax purposes. There are a few exceptions, such as when a life insurance policy has been transferred for valuable consideration.

If you transfer existing life insurance to a trust, you may incur gift taxes. Also, the insurance policy must be transferred to the trust at least three years before death occurs in order for the proceeds to be excluded from your estate. The decision to transfer current life insurance to a trust should be reviewed in the context of the survivor’s needs and in conjunction with a qualified attorney.

Trusts should be drafted by an attorney familiar with such matters in order to take into account income and transfer tax laws (including generation-skipping transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds. Creating and funding a trust is a sophisticated estate planning technique and your legal and estate planning advisor(s) should be consulted prior to making any estate, tax, or investment decisions.

All guarantees and benefits of the insurance policy are backed by the claims-paying ability of the issuing insurance company. They are not backed by Merrill or its affiliates, nor does Merrill or its affiliates make any representations or guarantees regarding the claims-paying ability of the issuing insurance company. All annuity contract or rider guarantees, including optional benefits and any fixed subaccount crediting rates or annuity payout rates, are backed by the claims-paying ability of the issuing insurance company.

Trust and fiduciary services are provided by Bank of America, N.A., Member FDIC, and a wholly-owned subsidiary of Bank of America Corporation.

MERRILL
A BANK OF AMERICA COMPANY