Life

ESTATE PLANNING

Midland National® Life Insurance Company

Qualified Personal Residence Trust (QPRT)

CONCEPT APPLIED:

Using a QPRT to make a lifetime gift of a home allows individuals to:

- reduce their taxable estate,
- live in the property for a number of years, and
- incur gift tax only on the remainder value, which is a fraction of the current value.

HOW IT WORKS:

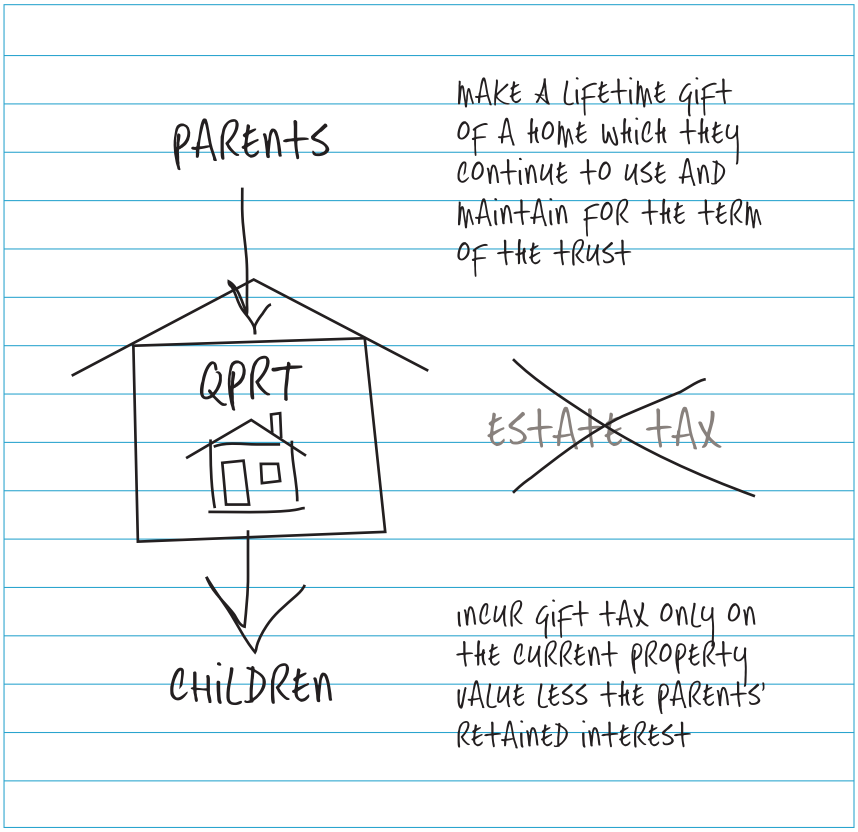
A grantor creates a QPRT and places the residence into the trust, retaining the right to continue living in the home. A properly structured QPRT freezes the value of the residence, making significant estate tax savings possible. The gift tax on the transfer is also reduced by the value of the grantor's retained interest. During the trust term, the grantor pays the mortgage, taxes, and all other expenses while usually living in the home, thereby further reducing the value of the estate. When the home eventually passes to the beneficiaries, the grantors may continue living there if they pay fair market value rent. Should the grantor die before the end of the trust term, the fair market value of the house is included in the grantor's estate.

WHY IS IT USEFUL?

The residence in a QPRT (plus any future appreciation) is excluded from the grantor's estate. Property owners must weigh potential estate tax savings against the consequences of relinquishing ownership to children, and must take current federal interest rates into account.

50 WORDS OR LESS

Parents can use a QPRT (an irrevocable trust) to pass a home or vacation home to their children or grandchildren. Since parents retain the right to use the real estate or its income during the trust term, gift tax on the transfer is reduced by the value of their retained interest.



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While the primary use of life insurance is death benefit protection, you may also have other needs that can be met through life insurance. Please note that Midland National does not require its agents to use any of these sales concepts.

Neither Midland National nor its agents give tax or legal advice. Consumers are advised to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements. Estate planning is a complex legal process and should be done in collaboration with an attorney, accountant, and trust officers, etc. Trusts should be drafted only by an attorney familiar with such matters.

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