

ESTATE PLANNING

Spousal Lifetime Access Trust (SLAT)

CONCEPT APPLIED:

The spousal lifetime access trust (SLAT) is an irrevocable life insurance trust (ILIT) that allows the non-insured spouse to request distributions from the trust without the trust assets or life insurance proceeds being included in the grantor's estate.

HOW IT WORKS:

A SLAT is an irrevocable trust that owns permanent life insurance and other assets. The grantor may not serve as trustee and may not retain any incidents of ownership in the life insurance policy. The grantor makes gifts to the SLAT to fund premiums on the policy, being careful to gift only personally owned property.

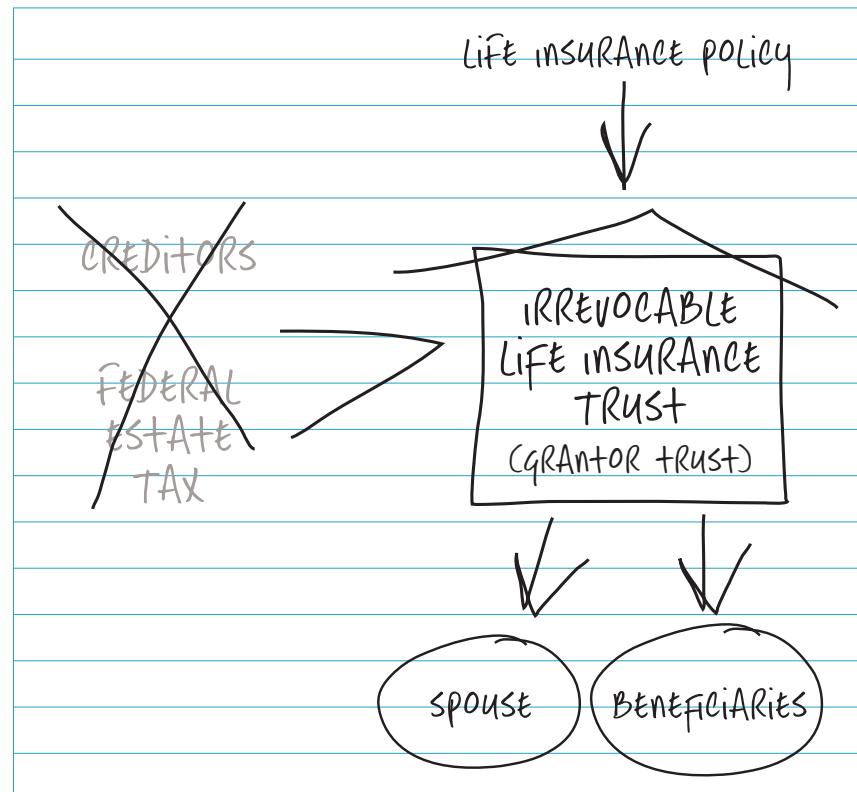
The trust terms typically include provisions giving the spouse the right to take an annual distribution of either \$5,000 or 5% of the trust assets, whichever is greater. If the spouse serves as trustee, distributions should be taken only for the purpose of health, education, maintenance, and support.

WHY IS IT USEFUL?

The SLAT allows the grantor's spouse limited access to the cash value of the life insurance policy and other trust assets during his or her lifetime while excluding the death benefit and trust assets from the grantor's estate at death. This can be a valuable tool for couples with large estates to reduce estate, gift, and generation skipping transfer taxes on gifted assets and any appreciation of those assets.

50 WORDS OR LESS

A SLAT is used when the grantor is concerned about making gifts to an irrevocable trust and losing access to the funds. By making the spouse a permissible beneficiary, the spouse can request distributions from the trust without the trust assets being included in the grantor's estate at death.



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