Life

Midland National® Life Insurance Company

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Multigenerational **Estate Planning**

A Strategic Approach to Preserving Family Wealth

Traditional estate planning often centers on insuring the oldest generation (G1) to create liquidity for estate taxes and other expenses at death. While effective, this approach focuses on just a single generational transfer, often from G1 to their children (G2), and may not fully address the long-term preservation of family wealth across multiple generations.

Generation One (G1)

- As the wealth creators, they wish to maximize inheritance to family
- Their wealth provides financial justification for insurance
- Concerned about estate taxes and other expenses
- May be expensive to insure due to age/health
- Estate plan in place that passes significant wealth to G2
- Considering gifting strategy as part of estate plan

Generation Two (G2)

- More insurable due to age/health
- Desire to preserve and transfer wealth for the benefit of the next generation
- Current net worth may not yet support the amount of life insurance coverage that may be appropriate in the future

Generation Three (G3)

- Parents and grandparents wish to protect wealth for them
- Not yet ready to receive inheritance

Looking beyond just the next generation

A scenario to consider is one where the adult child (G2) purchases insurance on themselves. In most cases, the amount of death benefit purchased matches their **current** financial needs and resources. However, if they anticipate receiving a large inheritance from G1, the death benefit could be adjusted to account for a higher anticipated net worth.

In this scenario, an Irrevocable Life Insurance Trust purchases a life insurance policy on G2, where the ILIT is the owner and beneficiary of the policy. Throughout the years, G1 makes annual gifts to the ILIT to pay the premiums on the policy.

This can help:

- Initial and ongoing gifts of premium reduce G1's overall estate
- Potentially lowers estate tax liability across generations
- Preserve family wealth across generations
- Create future liquidity
- Provide justification for more life insurance on G2

Start the conversation. Our team is here to help you learn more about this concept and determine whether it's right for your client.

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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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