

Why use a life insurance trust?

By Kevin VonTungeln

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With a trust, the insurance proceeds will not be included in your estate, so you avoid estate taxes. You can keep the proceeds in the trust for years, making periodic distributions to your children and grandchildren. And any proceeds that remain in the trust are protected from irresponsible spending and creditors (even spouses).

Life insurance can be an inexpensive way to replace the asset for your children (every dollar you spend in premium buys several dollars of insurance). Insurance proceeds are available immediately, even if you and your spouse both die tomorrow. And, in addition to avoiding estate taxes, the proceeds will be free from probate and income taxes.

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