



#4 CASE STUDY: Multi-Generational Wealth Transfer

“Multi-Gen” is a unique application of ABIL for ultra-wealthy families with net worth of at least \$50 million. “Multi-Gen” is the solution when the client and/or spouse (the patriarch and/or matriarch – G1) are uninsurable with life expectancies of less than 15 years, have no remaining insurance capacity or the cost of the large amount of life insurance needed is too expensive.

The Problem: An individual has an estate in excess of \$50 million, has a significant estate tax problem and conventional life insurance by itself is no longer a viable option.

Assumptions: Individuals inheriting the client’s estate are the grown children (G2) and the client (G1) has a life expectancy of less than 15 years.

Concept Approach:

G1 guarantees ABIL loans for the benefit of G2 and/or G3. Policies on the lives of the second and third generation are owned by their Life Insurance Trusts, which are the actual borrowers of the premium loans guaranteed by G1. These intra-family loans are specifically customized for each family by our national legal counsel. This law firm will work with each family’s legal counsel to coordinate the entire estate planning process.



Normally, G1 passes before G2 or G3. G1's estate therefore, will need to account for the debt it owes on the asset backed insurance loans made for the benefit of G2/G3's insurance trusts. Even though the loans are structured so that the debt is not due to be paid until the passing of G2/G3, G1's estate may currently deduct the net present value of these loans, thus reducing or eliminating the estate tax due. Because of the carefully crafted and tested intra-family ABIL loan structure, tens of millions of dollars of life insurance are placed for the benefit of G2 and G3, while resulting in the net reduction of G1's taxable estate. All this is normally accomplished with little or no out of pocket cost to G1, G2 or G3.

Advantages:

- G1 receives a very substantial estate reduction and tax savings, without incurring the costs of life insurance they wouldn't have qualified for anyway.
- G2 receives substantially more family wealth passed to them because of the efforts of G1.
- G2 secures life insurance for their future estate planning needs, as well as the potential of CashStream™ payments while they are still alive.
- G3 receives the overall benefits of the plan design.

Critical components:

- The ABIL Multi-Generational design has a credible loan exit strategy, occurring after the death of G1. The program design has been perfected and tested.
- Comprehensive family agreement and support is required.
- We provide specialized transaction legal counsel. Family legal counsel must be also be involved and is welcome to take the lead in the process.
- The ABIL program provides experienced, international lenders who have approved the design and who have previously closed cases with the program.
- The family will cooperate in annual program reviews and monitoring.