



LONG-TERM CARE PLANNING

# Lincoln *MoneyGuard*® solutions

## Advanced Planning with Trusts

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# Agenda

1. Revocable trusts can usually buy Lincoln *MoneyGuard*® solutions insuring the trust grantor(s).
2. Irrevocable trusts generally cannot own Lincoln *MoneyGuard*® solutions insuring the trust grantor(s).
3. Irrevocable trusts may be able to own Lincoln *MoneyGuard*® solutions insuring a trust beneficiary.
4. How to identify which irrevocable trusts can own Lincoln *MoneyGuard*® solutions on a trust beneficiary.

# Revocable trusts can generally own Lincoln *MoneyGuard*® solutions

- Popular way to own property that can avoid the cost of probate.
- Assets in a revocable trust are treated as if they are owned by the individual trust grantor(s).
- Usually, the trust grantor(s) are the original trustee(s).
- Successor trustee(s) automatically take over the trust if the trust grantor(s) become incapacitated.
- Assets owned by a revocable trust are included in the taxable estate of the grantor(s).
- Since individuals can own a Lincoln *MoneyGuard* solutions contract individually, so can their revocable trust.



# Revocable trusts and Lincoln *MoneyGuard*® solutions



## **Issue**

What happens if the individual owns a Lincoln *MoneyGuard* solutions on his or her own life, and they become unable to manage his or her affairs?

## **Approach**

Without a durable power of attorney, a court needs to appoint a guardian for the insured. With a revocable trust, a successor trustee should automatically take over.

# Lincoln *MoneyGuard*® solutions in an irrevocable life insurance trust?

- Irrevocable life insurance trusts have always been an attractive way to leverage a relatively small gift into a life insurance death benefit outside of the grantor's taxable estate.
- In many cases, the annual premiums can be funded with annual gifts of less than \$15,000 per beneficiary, which removes the death benefit from the grantor's taxable estate.



# Repurposing an irrevocable life insurance trust

**Q:** Can the typical irrevocable trust own a Lincoln *MoneyGuard*® solutions on the trust grantor?

**A:** No.  
When a grantor sets up an irrevocable trust, they usually include language that specifically states that the grantor will never receive anything from the trust.

# Repurposing an irrevocable life insurance trust



## **Issue**

With the changes to the federal estate tax, many people feel they no longer need a life insurance policy inside an irrevocable trust.

## **Looking for alternatives for the trust**

Would consider a 1035 exchange inside the trust for a Lincoln *MoneyGuard*® solutions

# Repurposing an irrevocable life insurance trust



## Issue

The typical irrevocable trust cannot provide any benefits to the Grantor—benefits have to go to the trust beneficiaries.

## Alternate Approach

Could consider buying Lincoln *MoneyGuard*® solutions on a spouse or other trust beneficiary, but it is not a tax free exchange unless the owner and insured are the same before and after the exchange.

# Repurposing an irrevocable life insurance trust



## **Issue**

Because of large gain on surrender in original contract strong preference for a tax free exchange solution

## **Alternate approach**

Can trustee distribute the original contract to a trust beneficiary (for example, spouse or children) and have them do the 1035 exchange to Lincoln *MoneyGuard*® solutions?

# Family ownership of Lincoln *MoneyGuard*® solutions

## Options



Parent owns  
Lincoln *MoneyGuard*  
solutions on children or  
grandchildren



Individual owns  
Lincoln *MoneyGuard*  
solutions policy on parents,  
brothers, sisters or other  
family members

# Parents use Lincoln *MoneyGuard*® solutions to insure an adult child

**We allow a parent to be the owner and beneficiary of a Lincoln *MoneyGuard* solutions policy insuring their children.**

Paying the premiums is not a gift because the parent is the owner of the policy.

**The tax laws allow a person to pay anybody's medical or educational expenses without being considered to have made a gift.**

You can't give the cash to the child. The payment of educational or medical expenses has to be directly to the medical or educational service provider.

**We also allow a parent to pay the premiums on a Lincoln *MoneyGuard* solutions policy owned by the child.**

When the child owns the Lincoln *MoneyGuard* solutions contract, each premium paid by the parent is a gift.

# Trust beneficiary as the insured for Lincoln *MoneyGuard*® solutions

## Insuring beneficiary of an irrevocable trust

**Q:** Parent or other person funded an irrevocable trust for a son or daughter. Trustee wants to buy Lincoln *MoneyGuard* solutions on trust beneficiary.

**A:** Probably okay as long as the trust has an appropriate distribution standard, such as health, education, maintenance and support.

# How to review a trust to determine if the trust can own Lincoln *MoneyGuard*® solutions

- Is the trust revocable or irrevocable?
- Is the trust grantor the proposed insured?
- Is a trust beneficiary the proposed insured?
- Is the trustee the proposed insured?
- Are the distribution standards different before and after the death of the trust grantor?

Or send me a copy of  
the trust to review?

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# Thank you.

**Questions: [Dean.Chatlain@LFD.com](mailto:Dean.Chatlain@LFD.com) or 336-691-3009**

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**Distributor:** Lincoln Financial Distributors, Inc., a broker-dealer.

**Policies:** Lincoln *MoneyGuard*® III, universal life insurance on policy form ICC19-MG890/19-MG890 with the following riders: Value Protection Endorsement (VPE) on form ICC19END-10534/END-10534; Terminal Illness Acceleration of Death Benefit Rider (TIR) on form ICC19TIR-891/TIR-891; Long-Term Care Benefits Rider (LTCBR) on form ICC19LTCBR-890/LTCBR-

890. For use in all states except CA and NY.

Lincoln *MoneyGuard*® II, universal life insurance on Policy Form LN880 with the following riders: Value Protection Rider (VPR) on form LR880 Rev; Long-Term Care Acceleration of Benefits Rider (LABR) on form LR881; optional Long-Term Care Extension of Benefits Rider (LEBR) on form LR882. Only available in CA.

Lincoln *MoneyGuard*® II NY, universal life insurance on policy form LN880a with the following riders: Value Protection Rider (VPR) on form LR880a Rev; Long-Term Care Acceleration of Benefits Rider (LABR) on form LR881a; Long-Term Care Extension of Benefits Rider (LEBR) on form LR882a; Terminal Illness Acceleration of Death Benefit Rider (TIR) on form LR883a; Nonforfeiture Benefit Rider (NBR) on form LR885a. Only available in New York.

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