

Life Insurance Trusts Make Sense in Uncertain Economy

The U.S. National Debt, High Taxes and Imminent Recession Make Irrevocable Life Insurance Trust (ILIT) an Essential Retirement and Estate Planning Tool

BOULDER, CO, UNITED STATES, November 20, 2022 /EINPresswire.com/ -- For U.S. taxpayers, an

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Michael Pento

irrevocable life insurance trust (ILIT) is arguably the most efficient structure for integrating risk-free wealth building (no exposure to stock market losses), tax-free growth, tax-free income, tax-free death benefit, tax-free generational wealth transfer and asset protection. An ILIT comprises two main parts: (1) an irrevocable trust; and (2) a life insurance policy owned in the trust. An ILIT makes economic sense, even for the moderately wealthy,

especially in the current uncertain and volatile economy.

Rising Government Debt and Risky Stock Market

The [U.S. national debt](#) is currently \$31+ trillion and rising, and unfunded liabilities of the federal government are estimated to be about \$100 trillion. Income tax rates are currently at historically low rates, but they will predictably rise to finance government debt. The estate tax rate is currently "only" 40 percent. Admitted, each individual currently has a lifetime gift & estate tax exemption of \$12+ million, but that is scheduled to go down to \$6+ million in 2026. Most people's savings are held as "qualified money" in IRA or 401k-type accounts, where it can grow tax-deferred, but the money will be fully taxed as income when distributed. When people transfer wealth to the next generation, it is often mismanaged, squandered or lost to children's ex-spouses. Frivolous litigation is a constant risk to personal wealth and family businesses. And when significant wealth is left to the next generation, it is subject to estate tax.

The U.S. stock market is over-valued and headed for a [significant correction](#). "Right now, the market's going lower – it could be 30%, 50%, it could be 60%, 70%...until we get a genuine pivot and/or we get an inflation rate less than 4%", warns fund manager Michael Pento.

So, the problem includes a volatile stock market, high government debt, high taxes, and the risks of mismanaged wealth and litigation.

Solution: Irrevocable Life Insurance Trust, ILIT

- Tax-free growth
- Tax-free income
- Tax-free death benefit
- No estate or GST taxes, forever
- Risk-free growth, no stock market losses (principal protected, 0% floor)
- Benefit you, your spouse & descendants (per your instructions)
- Preserve/continue family values, traditions, businesses
- Protect family assets (from taxes, divorce, lawsuits, frivolity)
- Provide financial security for you and family

An indexed universal life insurance (IUL) policy can provide good investment returns while virtually eliminating market risk. Variable life insurance offers the potential of higher market returns, but with the risk of market downturns.

The ILIT is managed by one or more trustees for the benefit of the trust beneficiaries. At a trustee's discretion, the trustee can make tax-free distributions to trust beneficiaries (including the trust settler (grantor)) through tax-free insurance-policy loans. This is essentially tax-free income to beneficiaries and the ILIT need not repay the policy loans. Instead, the loans are paid back from the death benefit upon death of the insured. The balance of the death benefit (life insurance proceeds) is then paid into the ILIT free of income and estate taxes.

Depending on how a trust is designed, a portion of trust principal can be invested in a new life insurance policy each generation to repeat the cycle, potentially for many generations.

Initial set-up costs are typically in a range of \$5,000 to \$20,000. Annual costs for monitoring and maintaining an ILIT are in the range of 500 to 1500 dollars.

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