

# Provide for your children, while protecting your estate

A Beneficiary Limited Access Trust (BLAT) is a flexible Irrevocable Life Insurance Trust (ILIT) that provides lifetime access to cash values for a child (or other beneficiary), while keeping the policy outside the parents' and child's estates.

**BLAT is an ideal strategy for parents who desire:**



Control regarding how their child will access the gift



Creditor protection over the amounts they are gifting to their child



A potential dynastic gift for future generations

## Benefits

If properly administered and drafted, a BLAT:

- Provides the life insurance policy's death benefit free from income and estate taxes.
- Allows the child's estate or financial guardian tax advantaged access to the policy cash value as long as an independent trustee is used.
- Enables the trustee to make distributions for supplemental retirement income for the child through policy loans and withdrawals.
- Can protect assets from beneficiaries' creditors through use of an irrevocable trust.
- Allows an independent trustee (such as a corporate trustee) absolute discretion to make distributions to the beneficiaries.

## Considerations

- Transfers to an irrevocable trust are irrevocable and may only be used for the benefit of trust beneficiaries.
- Any withdrawals and loans may reduce the policy's death benefit and cash value, and may cause it to lapse.
- Depending on the performance affecting the life insurance policy, the available cash value may be worth more or less than the original premium paid.
- Loans and withdrawals from policies classified as modified endowment contracts may be subject to a federal tax penalty if taken prior to age 59½.

## How a BLAT works:

- Parent(s) establish a trust for the benefit of one of their children. The trustee can make distributions to the child based upon the guidelines the parents put into the trust. The parents have a great deal of flexibility on the distribution guidelines.
- The trustee purchases a single-life policy on the child, a single-life policy on the life of one of the parents, or a survivorship policy on both parents.
- The parent(s) fund the trust with money to pay the premiums by using either the parents' annual gift tax exclusion, a portion of their lifetime gift tax exemption or possibly loans to the trust.
- The trust owns a life insurance policy that will provide an income tax-free deferral, tax-advantaged treatment for distributions and an income tax-free death benefit.
- The trust guidelines may allow the child to receive distributions during his or her lifetime and/or create a potential dynastic gift for future generations.

Please keep in mind the primary purpose of life insurance is the death benefit.

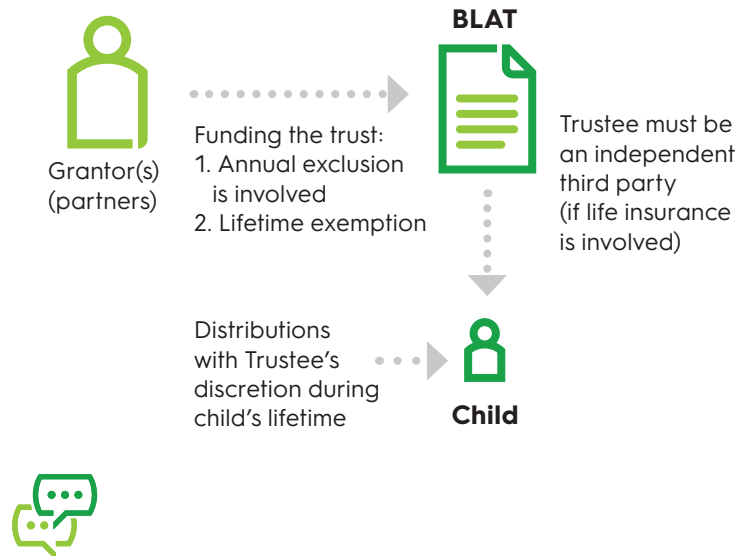
Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Policyholders could lose money in these products.

Policy loans and withdrawals may create an adverse tax result in the event of lapse or policy surrender, and will reduce both the surrender value and death benefit. Withdrawals may be subject to taxation within the first 15 years of the contract. You should consult your tax advisor when considering taking a policy loan or withdrawal.

The Policy Design you choose may impact the tax status of your policy. If you pay too much premium your policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable and if the taxpayer is under the age of 59½ may also be subject to an additional 10% penalty tax.

This information is a general discussion of the relevant federal tax laws provided to promote ideas that may benefit a taxpayer. It is not intended for, nor can it be used by any taxpayer for the

## Beneficiary Limited Access Trust



## Learn more

Want to preserve your legacy with a BLAT? Talk to your financial professional for help customizing a life insurance solution for your estate.

purpose of avoiding federal tax penalties. Taxpayers should seek the advice of their own advisors regarding any tax and legal issues specific to their situation.

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F74093-36 Rev 9-2025 DOFU 9-2025  
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