Estate planning

Wait-and-See One Policy strategy

Insurance products issued by:
Minnesota Life Insurance Company
Securian Life Insurance Company

Providing flexibility to preserve your legacy

You've worked hard to create a sizable estate, and you deserve to pass it on. Recent changes to tax laws may not be permanent so it might be to your advantage to build in flexibility to adjust your estate plans throughout your life. Although Irrevocable Life Insurance Trusts (ILITs) help solve many estate planning issues, they cannot be changed once established.

The Wait-and-See One Policy strategy provides a flexible approach — one that uses life insurance and trusts that can be adjusted throughout life's changing circumstances. So you can wait and see what life brings.

The Wait-and-See One Policy strategy can be used by:

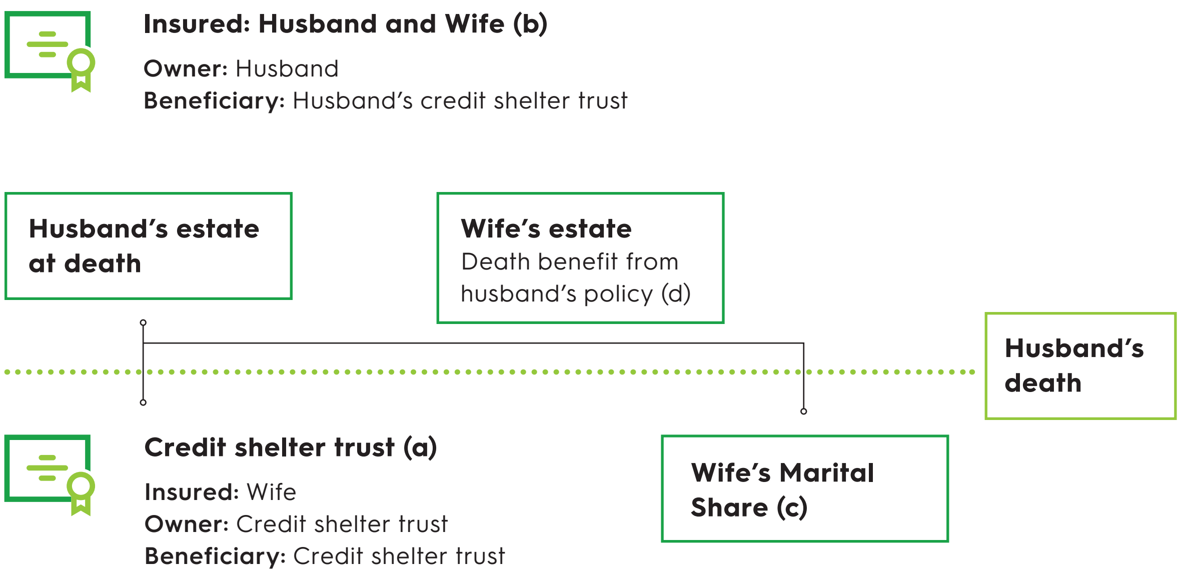
- Married couples who want life insurance to fund supplemental retirement income and a death benefit to pay estate taxes should they need it.
- Younger people who need the ability to adapt their estate plans to changing circumstances and taxes.
- High net worth couples who already make annual exclusion gifts (up to $18,000 for 2024).

GLOSSARY

ILIT
A trust that enables a donor to control the disposition of life insurance proceeds from the taxable estate of the donor.

How the Wait-and-See One Policy strategy works:

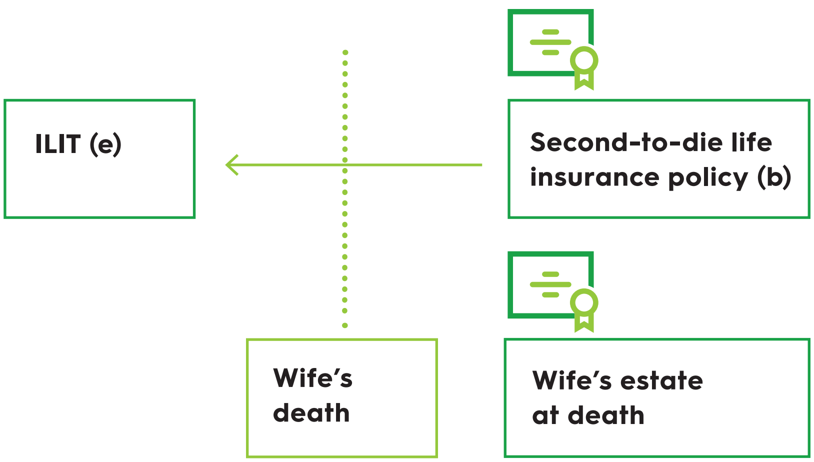
- A couple applies for a **second-to-die life insurance policy** (b).
- While the policy covers two lives, once issued it's owned by only one of the insureds.
- The insured owning the policy is considered mortality-inferior, or most likely to die first due to age or health considerations. In this example, the husband is the mortality-inferior insured.
- When the husband dies, a **credit shelter trust** (a) is established. The second-to-die policy is transferred to the credit shelter trust (a). The owner is changed from the husband to the trust.



- Credit shelter trusts are typically funded with assets that equal up to the **Federal Estate Tax Exclusion.** When the assets are placed in the trust, they are valued at the fair market value at the time of the husband's death. The surviving spouse may have limited access to and control of the assets once they are funded in the trust.
- The fair market value of an asset is determined at the time of the owner's death.
  - The fair market value of a life insurance policy is not the **death benefit,** but an amount close to the policy's **cash value** because one insured is still alive.
  - Credit shelter trusts are typically funded with assets that appreciate in value. This is because all proceeds in the credit shelter trust, including any appreciation, pass estate and gift tax-free to the beneficiaries upon the wife's death.
- The remaining assets in the wife's estate (d) and the **Marital Share** (c) can be used as a source of income for ongoing expenses.
- Upon the wife's death, the second-to-die policy (b) pays the death benefit, further funding the credit shelter trust (a).
  - Estate taxes are assessed on the wife's estate (d) and Marital Share (c).
- The proceeds from the credit shelter trust pay any remaining estate taxes due on the wife's estate (d) and the Marital Share (c).
- The remaining value passes tax-free to her beneficiaries.

What if the mortality-superior spouse dies first?

In this example, if the wife dies first, the husband transfers the second-to-die life insurance policy (b) to an ILIT (e). But if the husband dies within the first three years of transferring the policy, the policy is pulled back to his estate. If the couple were to use a survivorship policy with an estate preservation rider that allowed them to buy a four-year term at the wife's death, this would not be an issue.



Discussion points

Think about these questions and discuss with your financial professional. Your answers will help determine if the Wait-and-See One Policy strategy is right for you:

- Are you unsure if your estate will be subject to estate taxes in the future?
- Would you like the option to access cash value from your life insurance policy?
- Do you want the ability to change your policy throughout your life?
- How do you plan to take care of estate taxes at your death?
- Do you want your spouse to receive a lump sum of cash at your death without estate tax implications?

GLOSSARY

Second-to-die life insurance policy

A policy that covers two lives, with benefits paid at the death of the second insured person.

Credit shelter trust

A testamentary trust found in an individual's will or revocable trust. Its purpose is to take advantage of the applicable credit exclusion afforded the first spouse to die.

Federal Estate Tax Exclusion

The amount an individual can pass free of estate tax at death. As of 2024, this amount is $13.6 million, indexed to inflation.

Death benefit

The money beneficiaries receive upon death of the insured, typically tax-free.

Cash value

A portion of your premium payment that can grow tax-deferred over time and may be used throughout your lifetime.

Marital Share

The amount which qualifies for the unlimited marital deduction resulting in no estate taxes.

Wait-and-See One Policy strategy

Benefits

Prior to the first death:

- Access to the life insurance policy's cash value for supplemental retirement income or emergencies.
- Flexibility to make changes throughout your lifetime. Because you own the policy, you can increase or decrease the death benefit and premiums.
- Control over the funding of your policy. You can fund your policy today without giving up control of your assets — which can happen with other estate planning approaches.
- The opportunity to minimize the impact of federal estate taxes.

Considerations

- Can only be used with married couples.
- Specific drafting in your estate planning documents needs to be completed to implement the strategy.
- Possible inclusion of death benefit proceeds in your estate.
- Fees and expenses associated with the purchase of life insurance. Policy must be maintained in order to ensure success of strategy.
- If you live in a community property state, you and your spouse should sever respective community property interests in the life insurance policy owned by the other spouse. Please consult legal counsel on this issue.

Put the future in your hands

Our products and services can help you preserve your legacy for generations to come. Your financial professional can help you find customized life insurance solutions for your estate. For more information about wait-and-see trusts, talk to your financial professional today.

Please keep in mind that the primary reason to purchase a life insurance product 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 the policies may contain restrictions, such as surrender periods. Variable life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods. There may also be underlying fund charges and expenses, and additional charges for riders that customize a policy to fit individual needs. Charges and expenses may increase over time. The variable investment options are subject to market risk, including loss of principal.

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