

Help clients protect their estates and provide for heirs

Beneficiary limited access trust (BLAT)

Your sales opportunity

High net worth clients who need liquidity outside of their estate. They may have estates valued high enough to be subject to estate taxes, and wish to protect those assets for the benefit of their children.

Solution

Beneficiary limited access trust

A 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 client's and child's estate. It is an ideal strategy for parents who want control over how the child accesses the gift, asset protection for the gifted amounts and a potential dynastic gift for future generations.

Features

- Life insurance policy is owned by an irrevocable trust, placing it outside of your client's taxable estate
- If drafted properly, protects assets from creditors
- Allows control of assets on your client's terms for the heirs/beneficiaries of the trust
- Assets inside of the trust can be used for liquidity purposes to pay estate taxes, without increasing the value of the taxable estate

The BLAT strategy is for parents who desire:

- Control over how their child will access their gift
- Creditor protection for the gifts they are giving to the child
- Potential future supplemental income for the child
- Potential dynastic gift for future generations

A BLAT may be for people who:

- Like having an irrevocable trust own the life insurance policy because of the possible creditor protection of third-party beneficiary trusts
- Desire to keep the death benefit outside their estates
- Are concerned about future income tax rates and are looking to fund their gifts into a life insurance policy for its tax-advantaged access to cash value
- Like the potential for income and an estate tax-free death benefit for their future generations

Target clients

- Married, with a desire to access cash value inside an ILIT
- Have or will have a federal or state estate tax liability
- Wish to protect and grow assets outside of their estate
- Want to protect the management of assets and ensure responsible behavior of minor beneficiaries, those receiving government aid or someone who demonstrates less responsible behaviors
- Want to protect assets from creditors
- Want to control the distribution of assets to the beneficiaries

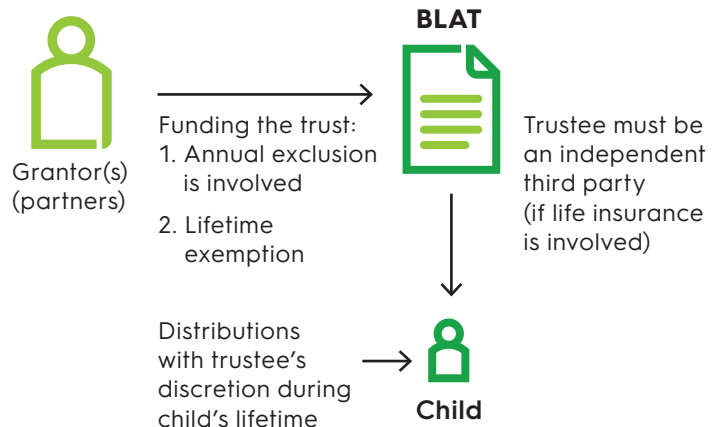


If your client's estate is well in excess of \$12.92 million for 2023, give us a call to discuss their potential estate tax issue.

How a BLAT works

- Parent(s) establish a trust for the benefit of one of their children.
- A trustee is hired to 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.
- On behalf of the trust, the trustee purchases a single-life policy on the child, a single-life policy on one of the parents, or a survivorship policy on both parents.
- The parent(s) gift premium payments to the trust, using either the parents' annual gift tax exclusion or the lifetime gift tax exemption.
- 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.

Beneficiary limited access trust



Benefits

If properly administered and drafted, a BLAT:

- Provides the policy's death benefit free of 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
- Is an irrevocable trust that can protect assets from beneficiaries' creditors
- Allows an independent trustee (such as a corporate trustee) absolute discretion to make distributions to the beneficiaries

Considerations

- Transfers are irrevocable and may only be used for the benefit of trust beneficiaries.
- Withdrawals and loans may reduce the policy's death benefit and cash value, and could cause it to lapse.
- Depending on the life insurance policy's performance, 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.
- The trust beneficiary can't contribute to the BLAT because of incidents of ownership and creditor protection issues.



Learn more

To learn how a beneficiary limited access trust can help build a secure financial future for your clients and their families. Contact your Life Sales Support Team today:

1-877-696-6654 (Securian Financial and broker-dealer)

1-888-413-7860, option 1 (independent brokerage)

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 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 fifteen years of the contract. Clients should consult their tax advisor when considering taking a policy loan or withdrawal.

The Policy Design chosen may impact the tax status of the policy. If too much premium is paid, the policy could become a modified endowment contract (MEC). Distributions from a MEC may be taxable and if the taxpayer is under the age of 59 ½ 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 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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