

LIFE INSURANCE PREMIUM FINANCING STRATEGY EMPLOYED TO OFFSET ESTATE TAX, PROVIDE SIGNIFICANT INHERITANCE

Hodgson Russ collaborated with a client on the purchase, structuring, and financing of a large life insurance policy designed to offset estate tax and provide a significant inheritance at a relatively low transfer tax cost. Utilizing a strategy commonly known as “premium financing,” the client created an insurance trust and arranged for that trust to borrow money from a banking institution to pay the annual insurance premium. Under the structure, the client only pays the interest on the loan, allowing the client to obtain a significant insurance policy while utilizing a minimal amount of the client’s federal transfer tax exemption. A team of attorneys in the Estates & Trusts, Finance, and Tax Practices worked with the client to establish the insurance trust, negotiate the loan documents, and analyze the tax implications associated with the various financing and structuring options.

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