

Building Generational Wealth with — Life Insurance & Trusts —

How Life Insurance Creates Wealth



- Large Tax-Free Payout
- Builds Cash Value Over Time
- Income Replacement for Your Family

Placing the Money in a Trust



- Controlled Distributions
- Payouts at Different Ages
- Protects from Misuse & Creditors

— Tax Benefits —



- Tax-Deferred Growth



- No Income Tax on Payouts



- Estate Tax Protection



- Tax-Free Policy Loans



— Create Lasting Wealth for Your Family! —

Life insurance policies help you build and protect generational wealth when structured correctly. Focus on permanent policies, estate planning, and tax strategy.

- 1) Use permanent life insurance for long-term wealth
Whole life and indexed universal life (IUL) last your entire life if funded properly.

Example:

You fund a policy with \$500 per month for 30 years. Total paid: \$180,000. Death benefit: \$800,000 to \$1.2M, depending on structure. Your family receives far more than you paid in. [\(Click to See Video Example\)](#)

- 2) Build tax-advantaged [\(Click to see cash value\)](#)
Permanent policies grow cash value inside the policy.

Tax treatment:

- Growth is tax-deferred.
- No annual capital gains tax.
- No dividend tax inside the policy.
- No 1099s.

You access money through policy loans. Loans are not taxable if managed correctly. You borrow against your cash value. Your policy stays in force.

Example:

At age 60, you borrow \$40,000 per year.
No income tax.
No early withdrawal penalty.
No required minimum distributions.

3) Use life insurance for **income replacement** and wealth transfer. If you pass early, your family gets liquidity.

Uses:

- Pay off mortgage.
- Fund college.
- Support spouse.
- Keep a business running.
- Prevent forced asset sales.

Life insurance replaces decades of lost income in one payment.

4) Place the policy in a trust for control and protection
An **Irrevocable Life Insurance Trust (ILIT)** owns the policy.

Why use a trust:

- Keeps proceeds out of your taxable estate.
- Protects money from creditors.
- Protects heirs from mismanagement.
- Controls timing of payouts.

How distribution works:

You write trust rules.

Examples:

- 25% at age 25.
- 25% at age 30.
- 25% at age 35.
- Remainder for life needs.

Or:

- Monthly income for life.
- Education-only payments.
- Business startup funding.
- Emergency-only access.

A trustee enforces the rules.

5) **Avoid estate taxes** with proper structure.

Without planning, large estates face federal estate tax.

2026 Risk:

Federal exemption is scheduled to drop.

Estates above the limit face up to 40% tax.

ILIT benefit:

Policy proceeds bypass your estate.

No estate tax on death benefit.

Example:

Estate: \$9M.

Policy: \$2M.

Without trust: part taxed.

With ILIT: \$2M passes tax-free.

6) Use **"overfunding"** to maximize tax benefits

You design policies for cash value first.

Strategy: High cash value / low death benefit.

Avoid becoming a MEC (Modified Endowment Contract).

Benefits:

- Faster growth.
- More loan access.
- Better internal rate of return.
- Still tax-advantaged.

Work with a specialist to stay under MEC limits.

7) Create a family banking system.

You use your policy like a private bank. **(Infinite Banking)**.

Process:

- Borrow from your policy.
- Invest in real estate or business.
- Repay yourself.
- Interest stays in your system.

This builds multi-generation capital.

Example:

- Borrow \$100,000.
- Buy rental property.
- Rental income repays policy loan.
- Heirs inherit both assets.

8) Stack with trusts and LLCs.

Advanced families combine tools.

EXAMPLE 01 **EXAMPLE 02**

Structure:

You → ILIT → Policy
Trust → Family LLC
LLC → Investments

Benefits:

- Asset protection.
- Tax efficiency.
- Governance.
- Succession planning.

9) Main tax advantages summary

- Death benefit: income-tax free.
- Cash value growth: tax-deferred.
- Policy loans: tax-free access.
- Trust-owned policies: estate-tax free.
- No RMDs.
- No contribution limits like IRAs.

10) Common mistakes to avoid

- Buying term only.
- Underfunding permanent policies.
- Triggering MEC status.
- Letting policy lapse.
- Naming minors directly.
- No trust planning.

11) Action steps

- Get an illustration for whole life or IUL.
- Ask for "maximum non-MEC funding."
- Meet an estate planning attorney for ILIT setup.
- Coordinate with a CPA.
- Review every 2 to 3 years.