



Using an ILIT in the World of Special Needs

SCENARIO: Mom and Dad have six children, one child has special needs

DEFINITIONS OF ABBREVIATIONS:

PWD - Person with a disability

DSNT - Discretionary special needs trust

ILIT - Irrevocable Life Insurance Trust

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| 6 Children 5 non PWD 1 PWD | <ul style="list-style-type: none"> ● Beneficiary of the ILIT is the 6 children <ul style="list-style-type: none"> ○ 5 non-PWDs outright ○ PWDs share to DSNT ● Withdrawal rights go to the 5 non PWDs only |
| Life Insurance | <ul style="list-style-type: none"> ● Owner - ILIT ● Beneficiary - ILIT |
| Annual Premium | <ul style="list-style-type: none"> ● Premium paid into the ILIT ● 5 children have withdrawal rights ● No withdrawal right for PWD |
| Death | <ul style="list-style-type: none"> ● Policy pays to ILIT ● ILIT pays to DSNT and other 5 children ● Non-PWDs may get small % <li style="text-align: center;">OR ● Non-PWD may be remainder beneficiaries if PWD not alive at death of insured(s) |
| Cautions | <ul style="list-style-type: none"> ● If policy is on one life and spouse is beneficiary of ILIT, be careful of powers of appointment in DSNT, if PWD passes away first |