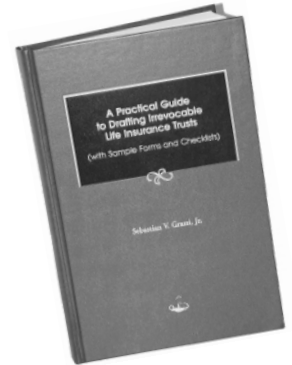


A Practical Guide to Drafting Irrevocable Life Insurance Trusts (with Sample Forms and Checklists)



By Sebastian V. Grassi, Jr., published by American Law Institute–American Bar Association, 2003, hard cover, 390 pages plus CD-ROM, \$147.50

In his introduction to “A Practical Guide to Drafting Irrevocable Life Insurance Trusts,” author Sebastian V. Grassi, Jr. declares his intention to provide a desk reference and a drafting guide to practitioners who already have some knowledge of tax and estate planning. Indeed, lawyers who already have ventured into the complex realm of irrevocable life insurance trusts (ILITs) will fully appreciate the need for and value of this excellent volume dealing with these essential estate planning tools. The comprehensive nature and sharp focus of this book will come as no surprise to estate planning practitioners who have heard Mr. Grassi as a popular lecturer on tax and estate planning topics for the Institute for Continuing Legal Education or who have read his many scholarly contributions to both local and national professional journals and periodicals, including the *Michigan Probate and Estate Planning Journal*, the *ACTEC Journal*, *Estate Planning*, and the *Journal of Taxation*.

ILITs are invariably recommended for individuals who own or plan to acquire life insurance and who have estates that are exposed to federal estate tax. Properly structured and administered, ILITs operate to keep the life insurance death benefit out of the client’s taxable estate, while still allowing the net proceeds to be available to the insured’s loved ones, replacing some of the wealth otherwise lost to estate taxes. There is considerable devil in the detail of properly structuring and administering an ILIT. If the complex statutory rules and regulations are not understood and

followed meticulously, the tax benefits of the ILIT can be lost.

Grassi presents more than 120 common issues that arise in drafting and administering an ILIT. The first half of his book isolates and discusses both fundamental and advanced tax and non-tax issues, including, in Chapter 9, an exhaustive checklist that will prove invaluable to the careful drafter. The second half of the volume is an appendix that includes two lengthy but very complete ILIT forms, a gift tax return related to a life insurance trust, and sample documents explaining the operation of an ILIT to the families and practitioners who will use them. A CD-ROM is included so that the forms are available immediately. Michigan practitioners should note that the ILIT forms comply with Michigan Estates and Protected Individuals Code that went into effect on April 1, 2000.

How does the book work in everyday practice? I quickly found answers to questions like the following:

- What is the “transfer for value” rule? The author not only explains the fundamentals of the rule in Chapter 1 but also delves into the useful exceptions that can be employed to avoid the dreaded three-year estate tax inclusion under IRC Section 2035.
- What are “Crummey” powers and how do they work? Chapter 2 explains the concepts, and in forms, provides examples of how to draft standard, non-cumulative withdrawal rights as well as more complicated “hang-

ing powers” that preserve income, gift, and estate tax benefits for the client.

- Can a beneficiary also serve as trustee of an ILIT? Chapter 7 examines the tax and non-tax ramifications of this question and provides direct answers that depend upon the life insurance product held in the trust, the nature of the trust provisions, and the goals for the setting up the ILIT.

Given the uncertainties of today’s tax laws, any estate planning vehicle that is irrevocable needs to be undertaken with care. Grassi usefully suggests provisions that build flexibility into an ILIT so that the trust itself can be terminated early if the tax reasons for establishing the trust evaporate.

Having taken Mr. Grassi’s volume for a test drive during the past several months, I can confirm that it handles well. “A Practical Guide to Drafting Irrevocable Life Insurance Trusts” is a user-friendly, accurate, and thorough reference work that will remain on my desk whenever I need a refresher on a fundamental concept or advice on a more arcane question concerning ILITs.

Complete information about this book (including the full table of contents and a sample chapter) can be found at <http://www.ali-aba.org/aliaba/BK28.htm>, or by calling (800) 253-6397. ♦

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