Spousal Lifetime Access Trust
Transferring wealth and retaining spousal access
Life.

your way™

Strive to live your dreams. Discover the flexibility of life insurance — protect, accumulate and transfer wealth now and in the future.

Be free to live life, your way.
At some point in life, it is common for priorities to change. Many find that their portfolio takes on greater value in terms of what it can do for others, than in what it can do for their own lives. If you recognize these goals in your own life, it may be time to consider creating a formal wealth transfer plan.

Creating a wealth transfer plan early has many advantages, including limiting taxes and implementing features which will help direct how assets are distributed to beneficiaries. One of the most common ways to limit the impact of estate taxes is to reduce the size of your estate through a gifting program. Gifting during your lifetime can make a significant impact because any future growth of the asset is also removed from the estate. This can be accomplished by making gifts outright to beneficiaries or using a trust. But for the gifted assets to be removed from your taxable estate, the gift must be irrevocable. In other words, once given, it cannot be reclaimed or changed.

Initiating a program of permanent gifting may seem unnecessary to many individuals in light of the applicable exclusion amounts in the American Taxpayer Relief Act of 2012, but there may still be advantages to making lifetime gifts. First and foremost is the opportunity to see the impact and enjoyment the gift gives the recipient which is something you can’t do after you are gone. Second, formally making permanent gifts can help ensure they are used how you want them to be by creating terms, conditions or stipulations for their receipt. Lastly, do not allow this new law to create a false sense of security with regards to potential future taxes. Even though the Act says it makes its provisions “permanent”, any of its provisions can be changed by future legislation. Remember, the Act also only applies to taxes at the federal level — the potential for state taxes may still exist. If your goals include leaving a significant legacy, opportunities exist today which may make it a very attractive time to formalize your plans.

A spousal lifetime access trust may be a valuable part of this plan.
A Spousal Lifetime Access Trust (SLAT) is an irrevocable trust designed with multiple goals in mind. As the name suggests, a SLAT is a specially designed irrevocable trust for married people which may (or may not) be funded with life insurance. The goal is for the trust to keep life insurance death benefits (and other trust assets) outside of both spouses’ estates for estate tax purposes. It also adds a special provision to the otherwise ordinary irrevocable trust which allows an independent trustee to distribute trust assets for the benefit of the non-grantor spouse.

A Spousal Lifetime Access Trust can help to:

- Enable the gift and its future appreciation to be transferred free from estate taxes.
- Provide an available source of income for your spouse in times of need.¹
- Potentially protect assets from creditors and potential liabilities.²

¹ Distributions from a SLAT should not be available to discharge any support obligation of the insured/grantor. SLATs should be drafted with care to avoid unintended tax consequences. It is important to confer with your independent tax and legal advisors regarding the use of this technique. It is important that the non-grantor spouse does not make gifts to the trust either directly or indirectly via joint accounts or community property as this could result in unintended tax consequences.

² Creditor protection laws vary dependent on governing federal and state law. The applicability of such laws also depends on the terms of the trust. One should be sure to confer with their independent tax and legal advisors prior to establishing a trust for this purpose.

Please note: This document is intended to provide introductory information on the subject matter. MetLife does not provide tax and legal advice. You should consult with independent financial, tax and/or legal professionals before making financial investment or planning decisions.
While other types of financial products may be used within this type of trust, life insurance is often chosen because it features:

- An income tax free death benefit.
- The possibility to leverage a limited number of premium payments into a sizeable death benefit, in the event death is premature.
- A wide variety of product designs to help meet a customer’s preference for premium design, coverage duration and risk tolerance.
- Guaranteed death benefits on some products, subject to the financial strength of the issuing company.  

Irrevocable trusts are documents which have long been used to reduce or manage exposure to taxes, but these trusts also provide the ability to dictate terms upon which your beneficiaries are eligible to receive the assets within. For this reason, many people establish trusts to formalize their wealth transfer plans even if they may not believe their estate will have any estate tax liability. For example, your attorney may be able to help you insert provisions to:

- Prevent beneficiaries from having unlimited access to funds,
- Protect assets from potential judgments against beneficiaries by ex-spouses or other creditors; or even
- Promote certain interests you value, such as education, career development or philanthropy.

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3 Guarantees are subject to the claims paying ability and financial strength of the issuing insurance company.
On January 2, 2013, the American Taxpayer Relief Act was signed into law. Among other provisions, the Act continues the Applicable Exclusion Amount of $5 million for federal estate tax purposes in 2011, indexed for inflation thereafter. Individuals must still evaluate with their tax, legal and financial professionals the potential impact of state death taxes on their estate. Individuals should also consult with their professionals regarding steps which can be taken now to reduce estate tax exposure or prepare for the future liquidity needed for expenses, fees and taxes. Keep in mind that should this legislation be changed in the future, the legislation in effect at the time of death will be what applies to an individual’s estate.
How a Spousal Lifetime Access Trust Works

After working with a skilled attorney to draft the provisions of the trust, the grantor gifts money to the trust. The trustee then uses these gifts to pay premiums for a life insurance policy or to invest in other financial products. Assets within a properly structured ILIT are distributed estate tax free to the trust’s beneficiaries according to the trust’s terms.

SLAT’s contain additional language identifying the spouse as a trust beneficiary and the conditions under which the spouse may receive income from the trust. With this type of trust, you can feel confident the assets you transfer are protected from future tax changes. **Plus, you’ll have the security of knowing your spouse can use these assets if needed during his or her lifetime.**

Types of Life Insurance Policies to Consider

A SLAT is often funded with permanent cash value life insurance so that the trustee may be able to access income from the policy through income tax free loans and withdrawals. It is possible to use policies which are neither designed nor expected to create significant cash value, but in such situations the trustee should also incorporate other liquid assets within the trust’s portfolio to meet the spouse’s income needs.

Popular permanent cash value life insurance policies include Variable Universal Life (VUL) or Whole Life. The final decision is often based on the investment risk tolerance of the grantor. Whole Life is generally for individuals with little tolerance for market volatility. This type of policy offers a guaranteed death benefit, guaranteed cash value and guaranteed level premiums. Whole Life also offers the potential for dividends, which may further increase the cash value and death benefit.

Variable Life Insurance, alternatively, combines life insurance protection and investment opportunity in one product. The ability to invest in professionally managed investment options provides an opportunity to accumulate cash value in the policy while still providing the needed death benefit protection. Certain policies may also offer death benefit guarantees as part of the policy, or by rider at an additional cost.1

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1 Guarantees are subject to the claims paying ability and financial strength of the issuing insurance company.

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**A NOTE ABOUT LIFE INSURANCE DISTRIBUTIONS:**

Loans and withdrawals will decrease the cash value and death benefit. If the policy does not perform as expected it may be necessary to reduce or stop distributions, and/or premium payments may need to be resumed to avoid a policy lapse. There may be tax consequences if the policy lapses or is surrendered prior to the death of the insured.

Distributions are generally treated first as tax free recovery of basis and then as taxable income, assuming the policy is not a Modified Endowment Contract (MEC). However, different rules apply in the first fifteen policy years, when distributions accompanied by benefit reductions may be taxable prior to basis recovery. Non-MEC loans are generally not subject to tax but may be taxable when the policy lapses, is surrendered, exchanged or otherwise terminated. In the case of a MEC, loans and withdrawals are taxable to the extent of policy gain and an additional 10% tax may apply if taken prior to age 59½. Always confirm the status of a particular loan or withdrawal with a qualified tax advisor. Cash value accumulation may not be guaranteed depending on the type of product selected. Investments in variable life insurance are subject to market risk, including loss of principal.
Steve and Meghan (both age 55) have had successful careers and planned well for the future. Together they have about $2.5 million in assets. They are both still working and feel confident they will have enough income for their retirements.

THE CONCERN
Steve also has another $1 million he inherited from his family. He wants to use this inheritance as a legacy for their daughter Lauren and her two children. Steve and Meghan believe that, with this economy, taxes are likely to rise and that now is a good time to formalize their plans for this money to be transferred to Lauren after their death. Steve, however, isn’t completely comfortable finalizing a plan where Meghan loses access to the funds in the unlikely event she may need them during her lifetime.

THE SOLUTION
After meeting with their financial, legal and tax advisors, the couple decides that Steve will create a spousal lifetime access trust. Steve will gift $50,000 annually from his inheritance portfolio using his annual gift exemptions. The trustee will then purchase an Equity Advantage VUL policy from MetLife with the gifts, with the additional Guaranteed Minimum Death Benefit Rider to age 121.

THE BENEFIT
In this scenario, Steve was able to use a SLAT to leverage the inheritance he received from his family. Funding the SLAT with a variable universal life insurance policy enabled the trust to transfer his inheritance to his daughter Lauren, income and estate tax free. In the event Meghan should need additional income during her lifetime, the independent trustee may still be able to access the policy’s cash value for her benefit on a tax advantaged basis.
A Spousal Lifetime Access Trust may be well-suited to your goals if there are assets you definitely want to use for your legacy but it is important to preserve your spouse’s access to these funds.

A SLAT is designed specifically to formalize your wealth transfer instructions, but provide income to your spouse if needed for such necessities as healthcare, education, financial support and more. The SLAT can provide all the estate tax planning benefits of a traditional irrevocable trust, including:

- Remove assets from your estate.
- Direct the distribution of assets after you are gone.

And also,
- Preserve your spouse’s ability to access trust property as needed.

If this sounds like an attractive way to make permanent gifts, you should talk to your financial professionals and other advisors. They can help you learn more about the Spousal Lifetime Access Trust and how this strategy may be beneficial to your particular situation.
This material is part of a series of financial strategies using life insurance named Core Stories for Life. These materials are designed to aid you and your financial professional in understanding the benefits of life insurance as a key financial asset within your overall portfolio.

There are concepts that focus on helping you or your business:

- Create financial protection for your family
- Grow equity to help preserve your lifestyle, and
- Leave a legacy to the ones you love

Life insurance is a flexible product that offers death benefit protection and may also offer an opportunity to save for your own future. Evaluating all available financial opportunities may help you reach your financial goals. Life insurance is one of those opportunities — providing protection for today and helping prepare for tomorrow.
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Life insurance products are issued by:
Metropolitan Life Insurance Company
First MetLife Investors Insurance Company
5 Park Plaza, Suite 1900
Irvine, CA 92614
metlife.com
1302-0475

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Equity Advantage Variable Universal Life is offered by prospectus only, which is available from your registered representative. You should carefully read the product prospectus and consider the product’s features, risks, charges and expenses, and the investment objectives, risks and policies of the underlying portfolios, as well other information about the underlying funding choices. This and other information is available in the product prospectus and in the prospectuses for the underlying funding choices, which you should read carefully before investing. Product availability and features may vary by state. All product guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.

Policy cash value allocated to the variable investment options is subject to market fluctuations so that, when withdrawn, it may be worth more or less than the amount of premiums paid. There is no guarantee that any of the variable investment options will meet its stated goals or objectives.

Pursuant to IRS Circular 230, MetLife is providing you with the following notification: The information contained in this document is not intended to (and cannot) be used by anyone to avoid IRS penalties. This document supports the promotion and marketing of insurance products. You should seek advice based on your particular circumstances from an independent tax advisor.

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MetLife life insurance policies have limitations, exclusions, charges, termination provisions and terms for keeping them in force. Contact your financial professional for costs and complete details.

Equity Advantage Variable Universal Life is issued by MetLife Investors USA Insurance Company on Policy Form 5E-46-06 and in New York only, by Metropolitan Life Insurance Company on Policy Form 1E-46-06-NY-1. Variable products are distributed by MetLife Investors Distribution Company (member FINRA). All are MetLife companies.

Please work with your financial professional to learn more about MetLife’s Core Stories for Life.
Equity Advantage Variable Universal Life is offered by prospectus only, which is available from your registered representative. You should carefully read the product prospectus and consider the product’s features, risks, charges and expenses, and the investment objectives, risks and policies of the underlying portfolios, as well as other information about the underlying funding choices. This and other information is available in the product prospectus and in the prospectuses for the underlying funding choices, which you should read carefully before investing. Product availability and features may vary by state. All product guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.

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- Not FDIC-Insured
- Not Insured By Any Federal Government Agency
- Not Guaranteed By Any Bank Or Credit Union
- May Go Down In Value

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- First MetLife Investors Insurance Company

And in NY by:
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