

# Survivorship Life Insurance

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Prepared for:

There are estate planning situations where a sum of money is needed at the death of the second spouse to die. For example:

- **Federal Estate Tax:** Through the use of the unlimited marital deduction, a married couple can generally arrange their estate in such a way that no federal estate tax is payable at the first spouse's death. This does not mean, however, that the federal estate tax is eliminated. Instead, potential federal estate tax liability is postponed until the second spouse's death, at which time the heirs may be hit with a federal estate tax bill.
- **Special Needs Planning:** In the case of a child with special needs, it may be desirable to provide funds for that child's care and financial security after the death of the second parent.
- **Charitable Giving:** A couple may want to provide a substantial charitable gift after the second spouse's death, without depleting the estate they leave to their heirs.

In situations like these, not knowing which one will die first, a husband and wife could each purchase a separate life insurance policy. A better solution, however, might be a survivorship life insurance policy. Also known as second-to-die or survivor insurance, survivorship life insurance is one policy that insures the lives of two people, usually a husband and wife. No death benefit is paid when the first insured dies. Instead, the policy remains in effect and premiums continue to be paid. At the death of the second insured, the death benefit is paid to the beneficiary.

## Features

- Several different types of cash value life insurance are available as survivorship life insurance. Make sure you understand the features, benefits and costs of the type of life insurance contract under consideration before you purchase survivorship life insurance policy.
- Since two lives are covered under one insurance policy, the premiums for a survivorship life insurance policy are usually less than the combined premiums for two single-life policies.
- Since two lives are insured, the underwriting requirements for survivorship life insurance may be more liberal. One spouse who was denied coverage under a single-life policy may be approved for coverage under a survivorship life policy.
- Since survivorship life insurance is frequently purchased for estate planning reasons, it may be desirable to have the policy purchased by an irrevocable life insurance trust. When structured properly, an insurance death benefit paid to an irrevocable life insurance trust is not included in your estate for federal estate tax purposes. Your legal and/or tax advisor can assist you in evaluating and establishing an irrevocable life insurance trust.