Case Study

The Perfect Gift

Giving the gift of life insurance to a child or young adult

Case – Grandparents want to give a meaningful and memorable gift to their grandchild.

- Their grandson is a five-year-old who just started kindergarten.
- His parents both have good jobs, but are paying for the mortgage on their new home and other family obligations — leaving very little latitude for the parents to start putting away for their son's future now.
- The grandparents know how fast the years go by, having experienced those growing years themselves. After discussing their options with their Guardian representative, they want to look into gifting life insurance.

Planning Objectives:

- Provide a long-term asset for their grandchild that will grow in value, laying a solid financial foundation for his future and locking in his insurability now.
- Set aside a financial resource that may be used for their grandson's future goals on a tax-favored basis.
- Reduce the grandparents' estate tax liabilities while preserving value for future generations.[1]

Planning Strategy:

- The grandparents establish an irrevocable life insurance trust (ILIT) to purchase a Guardian 20 Pay Whole Life policy with a $1 million face amount on the life of their grandson. They determine that the annual premium amount will fall within the Annual Exclusion amount for gift taxes.
- The policy is purchased with an important rider:
  - The Guaranteed Insurability Option to allow for the purchase of additional life insurance on the child's life at designated dates in the future, without providing further evidence of insurability.[2]
- The grandparents' thoughtful gift has accomplished the following:
  - Provided their grandson with a life insurance policy that will be paid up when he reaches age 25.
  - Anticipated future family obligations that may outlive the parents or grandparents.
  - Locked in future insurability of a child.
  - Established a value system of patient, systematic planning for the long term.
  - Passed on a valuable legacy while minimizing estate tax liability.

Why 20 Pay whole life insurance?

- Tax-advantaged cash accumulation and death benefit[1]
- Level, predictable premiums
- Fully paid-up in 20 years
- Not affected by market fluctuations

And Guardian's suite of policy riders and options lets you design a financial strategy that can add value and flexibility for the long term.[3]

Continued…

[1] Guardian, its subsidiaries, agents and employees do not give tax or legal advice. You should consult your tax or legal advisor regarding your individual situation.

[2] The Guaranteed Insurability Option (GIO) rider is purchased at an additional cost.

[3] Riders may incur additional cost. Rider benefits may not be available in all states.

Top Reasons to Gift Life Insurance to a Child

1. Life insurance is designed to grow and accumulate in value over the long term; its value will never decrease, as long as premiums are paid and the policy remains in force.[4]
2. Leverages dollars to provide a significant legacy for a child's future use.
3. Gifting life insurance is an intelligent strategy in estate planning.
4. Establishes a financial foundation that will endure.
5. Provides a future cash resource for things such as college tuition payments, seed money for a new business, or a downpayment for a new home.[5]

Interested in giving a gift of a lifetime?
Discuss the possibilities with your trusted Guardian representative!

[4] Cash values can include dividends. Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

[5] Policy benefits will be reduced by withdrawals, outstanding loans and loan interest.

Guardian's 20 Pay Whole Life is issued on form number 12-L20.

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