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Advanced Markets

Spousal Lifetime Access Trust (SLAT)

Help clients reduce taxes and keep more of their money

Why your client might need a SLAT now, more than ever

There's never been a time in U.S. tax history when Americans can gift more, transfer wealth and move assets out of their estate. But that could change. Learn the options to help your clients plan for life's uncertainties.

Plan for the unexpected

- Several proposals are currently in Congress to reduce the threshold for gifting and increase the exposure to estate taxes.
- Even if Congress does nothing, the current estate tax exemption will expire at the end of 2025.
- Clients not exposed to taxes today could easily be faced with unexpected taxes soon.

A typical prospect

- is married.
- wants to save money on taxes and protect assets by making gifts to irrevocable trusts.
- wants to use their higher gift tax exemptions while they can.
- wants to have indirect access to an additional source of income or savings.

When to consider a SLAT

Many couples recognize the advantages of gifting but are reluctant to irrevocably give away all rights to their assets. What if things change or they need it? Is there any way that couples can take advantage of current gifting opportunities, protect assets from taxes, creditors and divorce, yet retain access in case they need it? Yes.

Three key points

1. A SLAT is a trust that one spouse sets up to benefit the other spouse. Funds they gift into the SLAT are removed from their estate and their spouse's estate.
2. These funds are available to benefit the spouse, if needed, usually based on "ascertainable standards" set out in the trust. Money can be distributed to the spouse, who is the trust's beneficiary, to provide income and free up other household funds. The spouse who sets up the trust may also borrow back funds they gifted.
3. Using variable life insurance in a SLAT offers death benefit protection. Clients can replicate their investment portfolio and use life insurance cash values to help shield the policy value from taxes.

Why it works

A SLAT is an irrevocable trust for married couples often funded with life insurance. It's like a typical ILIT with a difference — the grantor's spouse is included as a trust beneficiary. The spouse, as a beneficiary, may receive income or distributions of property from the trust. The spouse creating the trust can be given the ability to borrow money from the trust. As a result, through the spouse and the ability to borrow, the grantor retains indirect access to trust assets.

How to present a SLAT to clients

- Read and share the client overview
- Review the planning perspective
- Read this success story
- Model Documents available through Advanced Markets
- See how to illustrate this in AEGIS

Life insurance offers several advantages. Most traditionally, it offers needed death benefit protection especially for any remaining estate taxes. Permanent cash value life insurance offers the ability to manage some trust funds with the benefit of the tax wrapper under Section 7702. And, spouses worried about loosing access to trust benefits on the death of a spouse can set up a sister SLAT, each owning insurance on the other spouse to make up for lost access on the death of the first spouse.

To learn more, call Equitable Advanced Markets or visit equitable.com.

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