

SPECIMEN IRREVOCABLE FUNDED LIFE INSURANCE TRUST

INTRODUCTION AND PARTIES

THIS AGREEMENT is made this ____ day of _____, 20____, by and between _____, (hereinafter called the “Settlor”), and _____ Trust Company, a corporation organized and existing under and by virtue of the laws of the State of _____, (hereinafter called the “Trustee”).

WHEREAS the Settlor wishes to establish a trust under the terms and conditions hereinafter set forth, and wishes the Trustee to act as trustee hereunder; and

WHEREAS the Trustee is willing to administer the trust; and

WHEREAS the Settlor does hereby transfer and assign to the Trustee all his/her right, title and interest in the policies of life insurance listed in Schedule A attached hereto and by reference made a part hereof, and has caused or will cause the Trustee to be named as owner and beneficiary of each policy of life insurance listed on Schedule A; and

WHEREAS the Settlor has transferred and assigned unto the Trustee certain real and personal property described and set forth in Schedule B, attached hereto and by reference made a part hereof;

NOW, THEREFORE, in consideration of the premises, the mutual covenants contained herein, and other valuable consideration, the parties hereto agree as follows:

ARTICLE 1 – RIGHTS IN POLICIES

All the rights, powers, options, and privileges in the policies of life insurance listed and described in Schedule A shall be vested in the Trustee. The Trustee may exercise any right, power, option, or privilege as fully as any owner might exercise it, without the consent or approval of the Settlor.

ARTICLE 2 – PAYMENTS DURING SETTLOR’S LIFETIME

The Trustee shall hold, manage, invest and reinvest the trust property, collect the income there from, and distribute the net income and corpus as hereinafter provided:

Premiums on the life insurance policies listed in Schedule A shall be paid by the Trustee, as they become due, from the net income derived from this trust. The Trustee shall pay said premiums before any other distribution of income to the beneficiaries hereinafter named.

After the premiums on the life insurance policies have been paid, the Trustee, during the lifetime of the Settlor, shall distribute the balance of the income annually in accordance with the following:

- a) While Settlor's children, _____ and _____, are living, Trustee shall distribute the balance of the income equally to them, or in unequal portions or all to any one of the children, as the Trustee shall determine in its absolute and uncontrolled discretion.
- b) When the first of the Settlor's children dies, or at the Settlor's death if one child has predeceased him/her, the Trustee shall distribute one-half the value of the corpus to the lawful heirs of the deceased child. The form and manner of such distribution shall be in the sole discretion of the Trustee and shall be conclusive on all interested parties, and such distribution shall impose no liability on the Trustee. The trust shall continue with the balance of the corpus for the benefit of the surviving child until his/her death with the net income there from distributed to him/her at least annually.
- c) When the last of the Settlor's children dies, the balance of the corpus in the form and manner determined by the Trustee in its sole discretion shall be distributed to his/her lawful heirs.
- d) Notwithstanding anything to the contrary herein contained, in the event that Settlor's spouse, _____, survives Settlor and in the further event that any part of the principal of this trust is includible in Settlor's gross estate for federal estate tax purposes, then such portion of the principal of this trust as may be necessary to make up the difference, so that the marital deduction, when taken together with the exemption equivalent of the unified credit and any other credits and deductions, will be an amount equal to the amount which is exactly sufficient to reduce the federal estate tax falling due because of Settlor's death to the lowest possible figure, shall be transferred to Trust A created under Item _____ of Settlor's Last Will and Testament, to be held and administered under the terms thereof.

ARTICLE 3 – PAYMENT OF PREMIUMS

During the lifetime of the Settlor, the Trustee shall notify him/her in writing if at any time the trust corpus does not produce sufficient income to pay the premiums on the policies listed in Schedule A. If the Settlor, after receipt of such notice, fails to furnish funds or property to pay such premiums, the Trustee may sell a portion of the trust corpus in order to obtain funds to pay the premiums. Also, if any funds furnished by the Settlor, when added to the trust income, are insufficient to pay the premiums, The Trustee may sell a portion of the trust corpus to obtain funds to pay the premiums. In any event, whenever there are insufficient funds to pay the premiums, the Trustee shall be under no obligation to pay them. The Trustee is authorized, at its option, to surrender any policy for its cash surrender value or borrow on such policy and with the proceeds pay premiums on any policy or policies. Also, the Trustee may convert any policy or policies into paid-up insurance or extended term insurance whenever there are insufficient funds to pay the premiums.

ARTICLE 4 – COLLECTION OF POLICY PROCEEDS

After the Settlor's death, the Trustee as owner and beneficiary of all policies listed in Schedule A shall take all and any action necessary to collect the proceeds. The proceeds shall be added to the existing trust corpus. The entire trust corpus shall be held, managed, invested, and reinvested, and the income there from together with the corpus disposed of in the manner provided in Article 2. If any dispute arises concerning collection of the proceeds, the Trustee may take any legal action it deems advisable.

ARTICLE 5 – AUTHORITY TO PURCHASE ESTATE ASSETS

Prior to final closing of the Settlor's estate, the Trustee may purchase assets from said estate. Whether the Trustee makes any such purchases shall lie solely within its discretion. The Trustee shall incur no liability in the purchase of any such assets even though the property obtained is not of the type in which a Trustee is ordinarily authorized to invest trust funds.

ARTICLE 6 – AUTHORITY TO MAKE LOANS

Prior to final closing of the Settlor's estate, the Trustee may convert any part of the trust corpus into cash, and loan cash to the Settlor's estate in such amount and upon such terms and security as the Trustee deems proper.

ARTICLE 7 – OTHER POWERS OF THE TRUSTEE

While this trust is in existence, the Trustee, in addition to any power or right conferred upon it by law, shall have the following powers and rights:

- a) To sell any of the trust property at public or private sale, upon such terms as it deems advisable;
- b) To invest and reinvest trust money in such securities and other property as it, in its sole discretion, deems advisable;
- c) To acquire, for the trust, policies of insurance on any beneficiary's life;
- d) To compromise, settle, or arbitrate any claim or demand in favor of or against the trust;
- e) To participate in any reorganization or merger of any corporation, the shares or securities of which are taken in the trust, and to receive and hold in this trust any shares or securities which are then in the trust, and to receive and hold in this trust any shares or securities allocated to it in such reorganization or merger;
- f) To have any shares or securities, which are held in the trust, registered in the name of a nominee or nominees of said Trustee, but all such shares and securities shall at all times appear on the Trustee's books and accounts as property of this trust;

- g) To exercise conversion and subscription rights appurtenant to any shares and securities in the trust, to apply trust principal for such purposes, and to sell any such rights;
- h) To sue, and defend suits, on behalf of this trust;
- i) To exercise all rights and options in any policies acquired under clause c) of this Article 7;
- j) In general, to exercise all rights of dominion and possession in the trust property, subject only to this Agreement and any prior, outstanding rights and interests; and
- k) To merge this trust with any other trust of the Settlor having substantially similar terms.

ARTICLE 8 – ADDITIONAL PROPERTY

The Settlor or any other person may add property, either real or personal or both, to this trust, provided said Settlor or other person completely relinquishes ownership and control and the Trustee accepts such property. Any property added to the trust shall become subject to the provisions of this Trust Agreement.

ARTICLE 9 – SUCCESSOR TRUSTEE

Any successor to the business of _____ Trust Company, whether by reorganization or otherwise, shall succeed this Trustee with like effect as though originally named. The Settlor specifically renounces the right and power to become successor trustee or co-trustee under this Agreement.

ARTICLE 10 – ACCOUNTING BY TRUSTEE

The Trustee shall render a statement of account of the trust income and disbursements at least annually to the beneficiaries. In the event of dispute, the Trustee shall have the right to seek judicial settlement of its account whenever it deems it advisable.

ARTICLE 11 – SPENDTHRIFT PROVISION

No beneficiary of this trust shall have the right to alienate, encumber, or hypothecate his/her interest in the corpus or income of this trust, except as herein otherwise provided, nor shall any beneficiary's interest be subject to the claims of his/her creditors or liable to attachment, execution, or other process of law.

ARTICLE 12 -- IRREVOCABILITY

This trust shall be irrevocable, and the Settlor expressly waives all right and power, whether along, jointly or in conjunction with others, to alter, amend, revoke, or terminate this trust, or any of its terms, in whole or in part.

ARTICLE 13 – GOVERNING LAW

This trust shall be governed by the laws of the State of _____.

IN WITNESS WHEREOF, the Settlor has hereunto set his/her hand and seal, and the Trustee has caused these presents to be signed by its proper corporate officer and has caused its proper corporate seal to be affixed hereto, the day and year first above written.

WITNESS:

SETTLOR

THE _____ TRUST COMPANY

By _____, its _____

Attest: _____

SCHEDULE A
Schedule of Insurance Policies

<u>Type of Policy</u>	<u>Face Amount of Policy</u>	<u>Policy Number</u>	<u>Insurance Company</u>
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SCHEDULE B
Schedule of Income-Producing Property Transferred