



Estate Planning

An Overview of Strategies for All Clients

Every client can benefit from estate planning. Of course, estate planning needs vary from client to client, ranging from simple solutions to complex strategies custom-designed for high-net-worth clients.

To help determine the approaches to use with clients, refer to the charts on the pages that follow for an overview of many estate planning strategies, organized according to client needs. Review the charts to become familiar with the strategies and target client profiles; then, when you come across opportunities in your book of business, let Prudential help you deliver the best approach to meet clients' financial wellness needs.

EXPLORE THESE CATEGORIES

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FUNDAMENTAL ESTATE PLANNING NEEDS

Common strategies that many clients in your book of business can use to fulfill their estate planning needs.

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
Basic Estate Planning	Ensure loved ones are cared for after death, assets pass to intended individuals/charities, and final care is performed according to wishes	<ul style="list-style-type: none"> ▶ Any client who has assets to pass on upon death 	Work with a client to confirm that they have fundamental legacy planning tools like a will, power of attorney, health care directives, and designated beneficiaries. Keep these necessary basics up to date with regular reviews in conjunction with their tax and legal advisors.
Legacy Advantage	Preserve values of legacy assets to help ensure wealth is passed to heirs	<ul style="list-style-type: none"> ▶ Is age 59½ or older and family oriented ▶ Has sufficient retirement income and significant liquid assets (excluding equity in the home) ▶ Has identified assets not needed during retirement ▶ Wants to leave money for the next generation 	Preserve a client's legacy from various tax and life events by repositioning assets not needed during their lifetime (qualified assets, non-qualified assets, CDs, municipal bond portfolios) as premiums for a life insurance policy. This strategy may protect against creditors and may also protect against the financial impact of a chronic illness by including an optional rider on the life insurance policy.
Retirement Distribution Strategies	Reduce the impact of income taxes and potential estate taxes on qualified assets after death	<ul style="list-style-type: none"> ▶ Is over age 59½ ▶ Has a large IRA or qualified employer-sponsored retirement plan ▶ Doesn't need the IRA or qualified plan balance or required minimum distributions (RMDs) for support in retirement ▶ Is interested in leaving a legacy for family 	Take a portion of the IRA or RMDs and reposition the after-tax amount into premiums for a life insurance policy. On the death of the insured, the heirs will receive the death benefit income tax-free and, if properly structured, estate tax-free.
Leveraged Gifting	Desire to structure a tax-efficient wealth transfer plan and reduce the overall value of a client's estate to lessen estate tax exposure	<ul style="list-style-type: none"> ▶ Is over age 55 ▶ May have an estate that could be subject to federal and/or state estate tax in the future ▶ Wants to keep wealth in the family by giving to children or grandchildren 	Gift amounts equal to a client's annual gift tax exclusion amount or more to an Irrevocable Life Insurance Trust (ILIT), which then uses the gifts to pay premiums on life insurance insuring the life of the client or the client and their spouse.

FUNDAMENTAL ESTATE PLANNING NEEDS (continued)

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
Irrevocable Life Insurance Trust (ILIT)	<p>Have life insurance death proceeds excluded from the taxable estate of the insured</p>	<ul style="list-style-type: none"> ▶ Is insurable ▶ Needs life insurance death benefit ▶ Has a potential estate tax liability ▶ Is concerned about potential creditors 	<p>A trustee purchases the life insurance policy via an Irrevocable Life Insurance Trust (ILIT). Life insurance premiums are paid by the client with gifts to the ILIT. During the client's life, the life insurance policy is not available to the client's creditors. At the death of the insured, the ILIT collects the death proceeds and distributes them according to its terms. The life insurance proceeds are generally received income and estate tax-free, if the ILIT is drafted properly, and not includable in the estate of the insured and unavailable to the creditors of ILIT beneficiaries.</p>

SPOUSAL ESTATE PLANNING STRATEGIES

Strategies designed specifically for married clients.

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
B Trust Planning <i>Also known as:</i> Family Trust Credit Shelter Trust Bypass Trust	<p>Leverage assets already in trust to increase wealth transfer, both income and estate tax-free</p>	<ul style="list-style-type: none"> ▶ Is a widow or widower age 85 or younger who is a beneficiary of a B Trust created by the decedent spouse ▶ Does not need income from the B Trust ▶ Wants to pass as much wealth as possible to loved ones 	<p>Trustee of B Trust is the applicant, owner, and beneficiary of a life insurance policy on the life of the surviving spouse. During the life of the surviving spouse, tax-deferred accumulation of policy values generates no income or income tax for the trust or beneficiaries. At the insured's death, proceeds are paid to the trustee income and estate tax-free and distributed to heirs according to the trust terms. Benefits include "step-up" cost basis on life insurance death proceeds.</p>

SPOUSAL ESTATE PLANNING STRATEGIES (continued)

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
Spousal Lifetime Access Trust (SLAT)	Decrease the value of a client's estate and exposure to creditors while allowing a client's spouse to have indirect access to the money in case it is needed during their lifetime	<ul style="list-style-type: none"> ▶ Is married ▶ Is age 45 or older ▶ Has a possible estate tax issue ▶ Wants flexibility and access to trust assets, but exclusion from estates ▶ Has an established wealth transfer need ▶ May have concerns about creditors 	One spouse, the grantor, creates the SLAT and makes gifts to it. The trustee uses the gifts to purchase either a single life policy on the grantor or second-to-die life insurance policy with the spouse. The non-grantor spouse and other heirs are beneficiaries of the trust. Under the terms of the trust document, the trustee may make discretionary distributions of the trust income and/or principal to the non-grantor spouse or any of the trust beneficiaries according to the trust terms.
Survivorship Standby Trust (SST)	Create a legacy plan that will efficiently transfer wealth to loved ones while still having the flexibility to be revised as unexpected changes arise during life	<ul style="list-style-type: none"> ▶ Is married ▶ Is age 45 or over ▶ Has high net worth ▶ Is worried about potential changes in tax and family environment ▶ Wants a flexible strategy to maintain control ▶ One spouse anticipates having a longer life expectancy 	The spouse with an assumed shorter life expectancy applies for and owns a survivorship life insurance policy on both spouses. The owner spouse also creates a trust that is named as the contingent policy owner and beneficiary. Upon the death of the owner spouse, the policy passes to the trust; the surviving spouse, as a beneficiary of the trust, has indirect access to policy values through the trustee.

UNIQUE ESTATE PLANNING NEEDS

Strategies to consider when clients have unique circumstances, such as a child with special needs or a favorite charity or charities they want to remember as part of their legacy.

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
Special Needs Trust Planning	Financial care for a child or other loved one with special needs while protecting eligibility for government and other third-party benefits	<ul style="list-style-type: none"> ▶ Has a child or other heir with special needs ▶ Desires to leave assets to the heir with special needs without jeopardizing their eligibility to receive government benefits ▶ Wants to ensure high quality of life beyond "the basics" 	Special Needs Trusts are separate legal entities that hold and distribute assets for beneficiaries in a manner that protects the person's eligibility for government-provided or other needs-based benefits. The Special Needs Trust can own insurance on the life of one or both parents to provide a significant source of support after their deaths.

UNIQUE ESTATE PLANNING NEEDS (continued)

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
Estate Planning for Resident Foreign Nationals	Fulfill a personal or business life insurance need	<ul style="list-style-type: none"> ▶ Is a non-U.S. citizen ▶ Has permanent U.S. residency ▶ Has a life insurance need 	U.S. transfer tax rules are different for U.S. residents who are not U.S. citizens. The main difference for resident foreign nationals is they may not receive unlimited gifts or bequests from a spouse free of tax. Where the gifts or bequests are substantial, more advanced planning such as the use of a Qualified Domestic Trust (QDOT) may be necessary to minimize U.S. estate taxes. Life insurance can be used to offset these taxes or to meet other personal needs.
Estate Planning for Non-Resident Foreign Nationals	Fulfill a personal or business life insurance need and purchase the types of life insurance products offered in the United States and/or to offset a U.S. estate-tax liability	<ul style="list-style-type: none"> ▶ Is a non-U.S. citizen ▶ Has a permanent foreign domicile ▶ Has a life insurance need ▶ Meets certain underwriting and U.S. nexus requirements 	U.S. transfer tax rules are highly unfavorable for individuals who are neither U.S. citizens nor permanent U.S. residents. For example, these individuals may exempt only \$60,000 from federal estate tax on U.S. estate assets. A foreign owner of a U.S. business may be faced with a 40% federal estate tax on almost the entire value of the business, making the need for life insurance clear. Life insurance death benefits are generally not included in the taxable estate of a non-resident foreign national, thereby clearing the way for personal ownership of the policy.
Charitable Giving Using Life Insurance	Give to a favorite charity during life and/or as part of a final legacy	<ul style="list-style-type: none"> ▶ Is charitably inclined ▶ Has a significant history of financial or other support for a favorite charity ▶ Wants to ensure continued support for the charity after their death 	Instead of making gifts directly to a charity, a client can use those gifts as premium payments on a life insurance policy to help ensure support of the charity after they die. Depending on whether the client or charity owns the policy, the premiums may be tax-deductible to the client.

UNIQUE ESTATE PLANNING NEEDS (continued)

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
Charitable Remainder Trust (CRT)	Receive income from assets donated to charity	<ul style="list-style-type: none"> ▶ Has charitable intent ▶ Has highly appreciated assets ▶ Would like an income stream ▶ Benefits from an income tax deduction 	Client creates a charitable remainder trust and irrevocably transfers assets to it, generating an income tax deduction for part of the asset value. The client names themselves or someone else as the trust's income beneficiary for a term of years or for life. When the income period ends, one or more charities receive the remainder of the donated assets. The client also creates and funds a Wealth Replacement Trust, an irrevocable life insurance trust that owns life insurance on the life of the client to replace the asset's value to the family.

MORE ADVANCED ESTATE PLANNING NEEDS

For high-net-worth clients who need an estate planning solution tailored to their specific situation.

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
Zero Estate Tax	Wishes to benefit society on their own terms instead of leaving tax dollars to the government	<ul style="list-style-type: none"> ▶ Has a net worth of \$40,000,000+ ▶ Is family oriented ▶ Is involved in community, has a favorite charity, or is willing to set up their own charity, such as a family foundation ▶ Has estate tax concerns 	The portion of a client's estate that is subject to estate taxes (the value above exemptions available) is directed to a charitable beneficiary, such as a family foundation, and thereby deducted from the estate. An irrevocable Wealth Replacement Trust owns life insurance on the life of the grantor(s) and helps replace the amount to the family that is passing to charity.
Dynasty Trust	Exclude legacy assets from estate, gift, and generation-skipping transfer taxes for children, grandchildren, and future generations	<ul style="list-style-type: none"> ▶ Has a high-net-worth family where wealth will be passed to multiple generations ▶ Wants to provide income for future generations ▶ Wants to exclude wealth from the transfer tax system 	A Dynasty Trust is an irrevocable trust designed to last for many generations to avoid taxing wealth each time it passes from one generation to the next. Life insurance owned by the Dynasty Trust, typically on the life of the creator and grantor of the trust, can provide for tax-deferred accumulation and help increase wealth transfer to future generations free of estate and generation-skipping transfer tax.

MORE ADVANCED ESTATE PLANNING NEEDS (continued)

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
<p>Grantor Retained Annuity Trust (GRAT)</p>	<p>Transfer assets to the next generation without making a large gift</p>	<ul style="list-style-type: none"> ▶ Has assets expected to appreciate in value ▶ Wants to reduce the transfer tax cost of passing their estate to their family ▶ Does not want to give up the income from the assets 	<p>The grantor establishes a Grantor Retained Annuity Trust (GRAT) for a selected term of years and designates trust beneficiaries. The client transfers assets to the GRAT and receives income from them for the trust term. The fair market value of the assets at the time of transfer less the discounted value of the future income interest is a gift to the trust beneficiaries. At the end of the GRAT term, income to the grantor stops and the trust beneficiaries receive the trust assets. During the trust term, its assets are includible in the grantor's taxable estate. Life insurance is purchased by the trustee of an Irrevocable Life Insurance Trust (ILIT) on the life of the grantor to protect against any estate tax liability if the grantor does not survive the GRAT term.</p>
<p>Private Split Dollar</p>	<p>Minimize the use of an individual's annual and/or lifetime gift-tax-exempt amounts to fund an ILIT</p>	<ul style="list-style-type: none"> ▶ Is age 55+ ▶ Has high net worth ▶ Is interested in transferring wealth ▶ Is interested in leveraging annual and lifetime gift-tax exemptions ▶ Has a life insurance need where the premium is in excess of their gifting capacity 	<p>The grantor/insured creates an ILIT owning a life insurance policy on their life or a survivorship policy. A private split dollar agreement is created and guarantees repayment of premiums to the grantor's estate from the death benefit. In most cases, the ILIT will own the policy and either it borrows the premiums from the grantor at interest or the value of the life insurance coverage is counted as an annual gift from the grantor to the ILIT.</p>

MORE ADVANCED ESTATE PLANNING NEEDS (continued)

	CLIENT NEED	TARGET CLIENT PROFILE	STRATEGY OVERVIEW
Asset Sale to an Intentionally Defective Irrevocable Grantor Trust (IDGT)	Minimize gift taxes and maintain cash flow without liquidating assets while paying a large life insurance premium	<ul style="list-style-type: none"> ▶ Generally, is age 55 or older ▶ Has substantial assets valued in excess of estate tax exemption amount ▶ Doesn't want to use the lifetime gift tax exemption amount (or doesn't have any left) ▶ Understands leverage and arbitrage ▶ Is illiquid (has substantial non-cash assets) 	Client sells income-producing and ideally highly appreciating assets to an Intentionally Defective Irrevocable Grantor Trust. The grantor takes back a promissory note as payment. The grantor also "seeds" the trust with a gift of at least 10% of the fair market value of the asset sold to the trust. There is no capital gains tax incurred by the grantor on the sale or income tax on promissory note interest. The trust owns a life insurance policy on the life of the grantor and uses the income from the trust assets to pay premiums on the policy.
Commercial Premium Financing	Minimize gift taxes and maintain cash flow without losing control over assets while paying a large life insurance premium	<ul style="list-style-type: none"> ▶ Generally, is age 55 or older ▶ Has substantial assets valued in excess of estate tax exemption amount ▶ Doesn't want to use the lifetime gift-tax exemption amount (or doesn't have any left) ▶ Understands leverage and arbitrage ▶ Wants to retain control over assets to benefit from appreciation and/or income 	The client borrows money from a third-party commercial lender to finance the policy premiums for a life insurance policy. The policy is typically used as collateral to secure the loan. Additional collateral requirements are satisfied using the client's other assets.
Intra-Family Loans	Minimize gift taxes while paying a large life insurance premium	<ul style="list-style-type: none"> ▶ Generally, is age 55 or older ▶ Has substantial assets valued in excess of estate tax exemption amount ▶ Doesn't want to use the lifetime gift-tax exemption amount (or doesn't have any left) ▶ Understands leverage and arbitrage ▶ Has (or can access) substantial liquidity 	Client loans money to an irrevocable grantor trust and the trustee pays the premiums on a life insurance policy on the client's life. The trust pays the client loan interest.

WE CAN HELP YOU

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1033773-00005-00 Ed. 11/2025
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