

LIFE ADVANCED MARKETS

Estate planning client information

Use this form to assist your client in gathering all the necessary information to begin the estate planning process, and to be certain your client has thoroughly considered all the necessary details.

To help ensure the client's financial goals and needs are being met, discussions should include all members of their team of professionals – i.e., tax advisor, attorney, financial professional.

Remember that any strategy that includes life insurance is contingent on the health underwriting of the insured and financial underwriting. In addition, an estate planning strategy requires legal agreements drafted by an attorney.

ALL CLIENT INFORMATION WILL BE KEPT CONFIDENTIAL
Date:
Your name:

Address:

County:

Date of birth:

U.S. citizen? ☐ Yes ☐ No

Health status:

Employer:

Home telephone:

Work telephone:

Fax no:

Email address:

Spouse's name:

Date of birth:

U.S. citizen? ☐ Yes ☐ No

Health status:

Have you and your spouse signed a premarital agreement? ☐ Yes ☐ No (If yes, provide a copy)

Have you or your spouse been divorced? ☐ Yes ☐ No (If yes, provide a copy of divorce decree)

Do you now have a will or revocable trust? ☐ Yes ☐ No (If yes, provide a copy)

Do you have a safe deposit box? ☐ Yes ☐ No If yes, where/who has access to your box?

Do you anticipate moving to another state in the near future? ☐ Yes ☐ No

Do you own real estate in another state, or will you in the near future? ☐ Yes ☐ No

CHILDREN

Please list ALL your children, including deceased children, children born out of wedlock, and children you wish to omit from your estate plan.

Name of child	Date of birth	Address	Spouse/children

Identify any child who is not a natural or adopted child of both you and your spouse.

Have any children received an advance on their inheritance, or are any children financially indebted to you?
If yes, please explain.

Is there any reason NOT to treat your children equally? If yes, please explain.

Are any of the children under a disability?

Do you have any special concerns or objectives regarding your children?

GUARDIANS

Who should be guardian of your minor children? (A guardian has physical and legal control over your children until they reach the age of 18.)

1st choice:	2nd choice:
Relationship to you:	Relationship to you:
Address:	Address:

PERSONAL REPRESENTATIVE

Who should be Personal Representative (“executor”) of your estate? A Personal Representative is responsible for probating your will, paying your debts, collecting your assets, and settling your estate.

1st choice:	2nd choice:
Relationship to you:	Relationship to you:
Address:	Address:

PROPERTY DISPOSITION

Please describe how you and your spouse wish your property to be transferred at your deaths. (Include the full name and address of anyone other than your spouse and children):

- ☐ Entire estate outright to surviving spouse, if living; otherwise, to children (with any descendants of a deceased child taking that child’s share).
- ☐ Other (specific gifts, trusts for minor children, special provisions, etc.)

FINANCIAL INVENTORY

Please estimate the market value of your assets.

Assets	You	Your spouse	Joint
Home			
Other real estate			
Checking account			
Savings/other accounts			
Personal property			
Furnishings			
Jewelry and personal			
Other			
Stocks/bonds/mutual funds			
Closely held business			
Life insurance (face value)			
Retirement accounts			
Pension/profit sharing			
IRA/401(k)			
Other			
Total assets			

Liabilities	You	Your spouse	Joint
Home mortgage			
Loans			
Credit cards			
Other			
Total liabilities			

LIFE INSURANCE

Policy name/number	Face value	Owner	Insured	Beneficiary

RETIREMENT PLANS

Please list your retirement plans/IRAs, their value, and the beneficiary.

Plan description	Current amount	Death benefit	Beneficiary

FUTURE INHERITANCES

Do you expect any inheritance in the near future? If so, please give details:

Accountant or tax preparer:

Address:

Telephone:

Email address:

Attorney:

Address:

Telephone:

Email address:

Primary physician:

Address:

Telephone:

Email address:

TRUSTS

If a trust is appropriate to include in your estate plan, who should be the trustee? A trustee is the person or entity who is responsible for managing the assets placed into the trust. A trustee manages the assets for your children or other beneficiaries until they reach specified ages. If you do not establish a trust, children inherit at age 18. You may name an individual, bank or trust company, or both to act as your trustee. You are encouraged to contact an attorney to discuss your situation.

1 st choice:	2 nd choice:
Relationship to you:	Relationship to you:
Address:	Address:

Special requests: Special requests regarding funeral, cremation, or burial instructions are best handled by a Letter of Instruction or other statement (separate from your will) to your family or other responsible person.

Specific gifts: Do you wish to make any specific bequests to charities or individuals?

Living Will and Health Care Power of Attorney: Are you interested in preparing a Health Care Declaration (Living Will) appointing someone to make health care decisions for you and/or stating your preferences for health care?

Power of Attorney: Are you interested in preparing a Power of Attorney, granting another person the power to act on your behalf to manage your assets and pay your bills if you become incompetent or unable to sign your name? (You are encouraged to contact your attorney to discuss your specific situation.)

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LIFE ADVANCED MARKETS

Key benefits of irrevocable life insurance trusts (ILITs)

An ILIT is a type of trust specifically designed to own and manage life insurance policies. It is a legal arrangement where the grantor (the person creating the trust) transfers ownership of a life insurance policy to the trust, relinquishing control over it.



The trust is irrevocable, meaning that once the trust is established and funded, the grantor cannot modify, amend, or terminate it.

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Indexed universal life insurance policies provide a death benefit that is generally paid to beneficiaries income-tax-free, and the potential to build tax-deferred accumulation value.

Indexed universal life insurance policies require qualification through health and financial underwriting.

Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

The death benefit is generally income-tax-free when passed on to beneficiaries.

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KEY FEATURES AND BENEFITS OF AN ILIT INCLUDE:

- **Estate tax reduction:** By transferring ownership of the life insurance policy to the ILIT, the death benefit is removed from the grantor's estate for estate tax purposes. This can significantly reduce the estate tax liability upon the grantor's death.
- **Control over distribution:** The grantor can specify how the proceeds from the life insurance policy are to be distributed to beneficiaries. This can include instructions about when and how beneficiaries receive funds, providing control over the financial legacy. In addition, the life insurance can be used to fund charitable donations of the grantor's choosing.
- **Gift tax benefits:** Contributions to the ILIT can qualify for the annual gift tax exclusion if structured properly, often using Crummey powers, which allow beneficiaries a temporary right to withdraw contributions.
- **Liquidity for the estate:** The proceeds from the death benefit of the life insurance policy¹ can provide liquidity to pay estate taxes, debts, or other expenses, ensuring that other estate assets do not need to be liquidated quickly or at a disadvantageous time, allowing them to be passed on to beneficiaries as intended.

Incorporating life insurance into an estate planning strategy requires careful consideration and planning. It's important to consult with financial professionals and estate planning professionals to determine the most effective way to use life insurance to meet the client's specific estate planning goals.



NEED ADDITIONAL HELP?

Call the Life Case Design
Team at **800.950.7372**

¹The death benefit is generally income-tax-free when passed on to beneficiaries.

LIFE ADVANCED MARKETS

Trusts in estate planning strategies

An overview of types, purposes, and financial impacts

A trust can be a versatile tool in an estate planning strategy, offering a level of control and flexibility, helping avoid the probate process, and allowing individuals to specify how and when assets are distributed directly to beneficiaries.

There are variety of trust types that may be used to address specific needs and goals, each offering distinct benefits and features. Trusts may provide tax benefits and asset protection, and can be tailored for special needs planning or charitable giving.

Type of trust	How established	Trust funding	Purpose of the trust	Tax consequences
Revocable Living Trust	Established by a written trust agreement during grantor's lifetime	May be funded by grantor during lifetime, by designating the trust as beneficiary at grantor's death (e.g., beneficiary of a qualified retirement account).	Avoids probate if properly funded; increases privacy; may avoid need for conservatorship or guardianship of estate; allows for immediate management of assets by trustee without court intervention; potential asset protection for trust beneficiaries.	100% includable in grantor's estate for estate tax purposes. Income tax related to trust assets (e.g., capital gains, dividends, interest) taxable to the grantor during grantor's lifetime.
Irrevocable Life Insurance Trust (ILIT)	Established by a written trust agreement during grantor's lifetime	May be funded by transferring existing life insurance policy to the trust, or by having the trust apply for and purchase a new life insurance policy on the grantor's life.	Removes life insurance death benefit from estate of an individual as policy owner; allows annual exclusion gifts to the trust to pay insurance premiums; potential asset protection for beneficiaries.	Gifts may be necessary to pay premiums, but withdrawal rights (a.k.a. Crummey powers) allow annual exclusion gifts to pay life insurance premiums. Note: Death benefit may be included in prior policy owner's gross estate if an existing policy is transferred to the ILIT within three (3) years of owner's death. Insured may not be trustee.

Type of trust	How established	Trust funding	Purpose of the trust	Tax consequences
Credit Shelter Trust (a.k.a. family Trust or A Trust)	Established by a written trust agreement during grantor's lifetime OR Established as part of a will	Generally funded upon the death of the first spouse.	Keeps assets out of surviving spouse's taxable estate by making use of deceased spouse's estate tax exemption.	Funded with assets equal to deceased spouse's applicable exclusion amount so that there will be no federal estate tax on the amount transferred to the Credit Shelter Trust. Trusts may also be created during lifetime to take advantage of lifetime gift tax exemption (sometimes called a Spousal Lifetime Access Trust (SLAT)).
Marital Trust (a.k.a. QTIP Trust, B Trust)	Established by a written trust agreement during grantor's lifetime OR Established as part of a will		Provides for management and distribution controls during surviving spouse's lifetime.	Trust eligible for estate or gift tax marital deduction as long as rules under IRC Sec. 2056 are followed. Estate tax is deferred until surviving spouse's subsequent death.
Grantor Retained Annuity Trust (GRAT)	Established by a written trust agreement during grantor's lifetime	Funded during grantor's lifetime.	Used to transfer highly appreciated (or appreciating) property or high income-producing property out of the grantor's estate, while keeping an income stream to the grantor for a number of years (the annuity period).	Gift by grantor at time the trust is created is generally equal to the present value of the remainder interest (see IRC Tables discussed in IRS Publ. 1457). Trust may also be designed so that the value of the taxable gift is zero. This is referred to as "zeroed-out" GRAT. Note: Unlike property received as the result of the death of the grantor, property transferred to the remainder beneficiaries under a GRAT does not receive a stepped-up basis.
Charitable Remainder Unitrust (CRUT)	Established by a written trust agreement during grantor's lifetime OR Established as part of a will	Funded during grantor's lifetime, or by designating the trust as beneficiary to receive assets at grantor's death.	Income generator and capital gain deferral; charity is the ultimate beneficiary. Trust may pay a minimum of 5% and a maximum of 50% of value of trust assets to current beneficiary each year.	If donor or donor's spouse is the income beneficiary, no gift or estate tax consequences. If donor or donor's spouse is not the sole income beneficiary, there will be a gift tax on formation equal to the present value of beneficiary's income interest. Current income tax deduction on formation equal to present value of charities remainder interest (must be at least 10%). Useful for clients who want to diversify and increase lifetime income from investment while deferring tax impact. Trust can also be designed as a charitable remainder annuity trust (CRAT), which pays a fixed dollar amount to the current beneficiary (rather than percentage or unit trust amount) during the term of the trust.

Type of trust	How established	Trust funding	Purpose of the trust	Tax consequences
Charitable Lead Annuity Trust (CLAT)	Established by a written trust agreement during grantor's lifetime OR Established as part of a will	Funded during grantor's lifetime, or by designating the trust as beneficiary to receive assets at grantor's death.	Freezes valuation and benefits charity. Initial beneficiary is charity; remainder goes to individuals.	Trust pays annuity to charity for term of years, with remainder to individual beneficiaries, outright or in further trust. Can be designed to generate no current taxable gift. Designed to pass future appreciation to children at no gift tax cost. Grantor CLAT will also generate current income tax charitable deduction (no current deduction for non-grantor CLAT). Can also be designed as a charitable lead unitrust (CLUT).
Qualified Personal Residence Trust (QPRT)	Established by a written trust agreement during grantor's lifetime OR Established as part of a will	Funded during grantor's lifetime, or by designating the trust as beneficiary to receive assets at grantor's death.	Reduce the transfer tax value of gift of home by retaining right to use during the trust term.	Current gift of the value of the remainder passing to the beneficiaries at the termination of the trust term. If donor does not survive trust term, asset included 100% in donor's estate.
Supplemental Needs Trust	Established by someone other than the disabled person or spouse (e.g., parent or grandparent) by a written trust agreement during grantor's lifetime OR Established as part of a will Note: Supplemental and Special Needs Trusts are not the same. The primary distinction is who funds the trust.	Trust is funded with assets belonging to someone other than the disabled person or their spouse ("third-party" trust).	Provide financial assistance to individuals with disabilities for needs not covered by public benefits (e.g., supplemental care, education, or recreation) without jeopardizing their eligibility for government benefits like Medicaid or Supplemental Security Income (SSI).	The SNT is not primarily a tax-planning tool. It is used for medical assistance (MA) planning. Proceed with caution if you are not well-versed in MA rules.

Type of trust	How established	Trust funding	Purpose of the trust	Tax consequences
Special Needs Trust	Established by disabled person's parent or grandparent through a written trust agreement during grantor's lifetime, or by legal guardian or conservator, or by the court. Established under 42 U.S.C. § 1396p(c) and (d): Omnibus Bdgt. Recl. Act of 1993 (OBRA 1993) Note: Supplemental and Special Needs Trusts are not the same. The primary distinction is who funds the trust.	Person with a disability is funding the trust with their own assets, such as through an inheritance or personal injury settlement ("first-party" trust). OR Trust is funded with assets belonging to someone other than the disabled person or their spouse ("third-party" trust).	Provides financial assistance to individuals under age 65 with disabilities for needs not covered by public benefits (e.g., supplemental care, education, or recreation) without jeopardizing their eligibility for government benefits like Medicaid or Supplemental Security Income (SSI). Note: At disabled person's death, all medical assistance benefits paid to beneficiary must be reimbursed with the excess to beneficiaries designated by grantor.	The IRS usually considers first-party trusts to be "grantor trusts" – a classification that allows the reporting of all trust income, deductions, and credits to pass onto the beneficiary's personal tax returns. A third-party SNT established by a friend or relative for a person with special needs may generate taxable income for the grantor of the trust, the beneficiary of the trust, the trust itself, or all three at once, depending on the circumstances.

This information is provided as an overview of the documents presented and is not intended to be a comprehensive discussion of all features, benefits, and considerations. Clients should consult with their tax advisor and/or attorney to discuss their specific situation.

Your financial professional is an important resource for educating you on how indexed universal life insurance can be an effective part of a trust in helping address your long-term financial goals. However, consulting with an estate planning attorney is essential to successfully navigate the various types of trusts and their specific benefits.

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LIFE ADVANCED MARKETS

Essential steps to create an estate planning strategy

and how life insurance can play a role

Creating an estate planning strategy is an important process to ensure that a client's assets are distributed after death in an efficient manner, according to their wishes, and to provide for their loved ones.

Our **Life Advanced Markets Turnkey Program for Estate Planning** can help you provide key information related to the estate planning strategy process and the benefits of life insurance in an estate planning strategy, and help your clients work with their tax advisor and/or attorney on a comprehensive and legally sound plan.

The following pages contain the general steps you and your clients should be aware of and the materials in our turnkey program to assist you.

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Indexed universal life insurance policies require qualification through health and financial underwriting.

There is no guarantee that a policy will earn sufficient interest to support a loan strategy.

Policy loans and withdrawals will reduce the available cash value and death benefit and may cause the policy to lapse, or affect guarantees against lapse. Withdrawals in excess of premiums paid will be subject to ordinary income tax. Additional premium payments may be required to keep the policy in force. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax. If a policy is a modified endowment contract (MEC), policy loans and withdrawals will be taxable as ordinary income to the extent there are earnings in the policy. If any of these features are exercised prior to age 59½ on a MEC, a 10% federal additional tax may be imposed. Tax laws are subject to change and you should consult a tax professional.

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ASSESS ASSETS AND LIABILITIES

Start by making an exhaustive list of all assets, including real estate, bank accounts, investments, retirement accounts, personal property, and any business interests. Also, list liabilities, such as mortgages, loans, and other debts.

Estate planning fact finder (AMK-811)

- Use to assist your client in gathering all the necessary information to begin the estate planning process.

DEFINE GOALS

Clients should consider what they want to achieve with their estate planning strategy. This may include providing for their family, minimizing taxes, supporting charitable causes, and specifying guardianship for minor children.

Understanding the probate process (AMK-815)

- When probate may be required, how it may be avoided, and a step-by-step guide through the process.

Sample community property consent form (AMK-823)

- Clarifies ownership rights, may prevent disputes.

CHOOSE BENEFICIARIES

Clients should decide who should inherit the assets. This can include family members, friends, and charities. Be clear and precise about what each beneficiary will receive.

SELECT A PERSONAL REPRESENTATIVE

Clients should choose a trusted individual or a professional fiduciary to serve as the personal representative of their estate. This person will be responsible for managing the estate and ensuring your client's wishes are carried out. It's also a good idea to choose a second individual or professional fiduciary to serve as a backup if the primary personal representative is unwilling or unable to serve, or is unable to continue serving as personal representative.

DRAFT A WILL

Working with their attorney, clients can create a legal document that outlines how the assets will be distributed upon death, nominates the personal representative, names guardians for minor children, and specifies any other wishes of the client. It's advisable to work with an attorney to ensure the will is valid and enforceable. It's also important that the will be typewritten or printed because the laws in many states do not recognize a handwritten will as valid.

CONSIDER A TRUST

Depending on the situation, your client may want to work with their attorney to establish a trust to manage their assets. Trusts can provide more control over how and when the assets are distributed and may offer certain tax benefits, such as reducing or eliminating estate and gift taxes by strategically removing assets from a client's taxable estate, or potentially lowering income taxes by distributing income to beneficiaries in lower tax brackets.

Trusts in estate planning strategies (AMK-830)

- A comparison grid of the variety of trust types for specific needs and goals, and their distinct benefits and features.

Selecting the right trustee for your trust (AMK-817)

- Key criteria to consider when selecting a trustee who will have power over all of the assets in the trust.

How to select and use a trust protector (AMK-818)

- A way to add oversight and flexibility so the trust can adapt to changes without costly court intervention.

Sample form of Irrevocable Life Insurance Trust Agreement (single life) (AMK-819)

- Documents that can be shared with your client's attorney to help with their estate planning needs.

Sample notice of withdrawal rights ("Crummey notice") (AMK-822)

- Notifies trust beneficiaries of their right to withdraw contributions made to the trust, and ensure the contributions qualify for the annual gift tax exclusion.

PLAN FOR INCAPACITY

Clients may work with their attorney to prepare documents such as a durable power of attorney and a healthcare directive to designate individuals who can make financial and medical decisions on the client's behalf in the event of the client's incapacity.

REVIEW BENEFICIARY DESIGNATIONS

Help clients ensure that the beneficiary designations on accounts such as life insurance policies, retirement plans, and bank accounts are up to date and are consistent with the client's estate plan.

CONSIDER TAX IMPLICATIONS

Encourage your clients to work with their tax professional and/or attorney to understand the potential tax implications of the estate plan and explore strategies that may help minimize estate taxes.

COMMUNICATE THE PLAN

Clients should inform the personal representative, trustee, beneficiaries, and family members about the estate planning strategy to control expectations, avoid potential misunderstandings, and ensure that everyone is aware of the client's wishes.

Guide to successful family estate planning strategy meetings (AMK-814)

- Leading successful discussions on how wealth should be transferred, managed, and retained across generations.

REGULARLY REVIEW AND UPDATE THE STRATEGY

Life circumstances change, so it's important to periodically review and potentially update the estate planning strategy, especially after major life events such as marriage, divorce, the birth of a child, or the acquisition of significant assets.

Sample annual review form for trustees (AMK-824)

- Helps identify potential problems with the administration of the trust and/or the life insurance policies it owns.

NEED ADDITIONAL HELP? Call the Life Case Design Team  **800.950.7372**

IRREVOCABLE LIFE INSURANCE TRUST

Sample annual review checklist for trustees

The trustee plays an important role in the ongoing management of the life insurance trust. A trustee must understand the trustee's fiduciary responsibilities, as well as the corresponding potential exposure to personal liability for failing to carry out those responsibilities.

One way to help reduce that exposure is to establish an annual review process to identify potential problems with the administration of the trust and/or the life insurance policies owned by the trust before problems occur or are allowed to magnify.

This sample checklist is provided to financial professionals and the individual trustee of a life insurance trust as a starting point for creating an effective annual review process for that client.

Any completed form should be kept confidential between the financial professional and trustee and should not be provided to Allianz Life Insurance Company of North America (Allianz). Allianz and its representatives do not provide tax or legal advice.

You should consult your own legal counsel to ensure that any agreements meet your specific needs and comply with applicable laws and regulations. The provision of this specimen document does not imply endorsement or approval of any specific terms or conditions contained within it. It is not adapted to the specific circumstances or objectives you may have.

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TRUST INFORMATION

Information
Name of trust:
Date of trust agreement:
Federal EIN number:

GRANTOR, TRUSTEE, AND BENEFICIARY INFORMATION

Information
Grantor name:
Grantor name:
Trustee name:
Trust protector name:
Beneficiary 1
Beneficiary name:
Address:
Date of birth:
SSN:
Beneficiary 2
Beneficiary name:
Address:
Date of birth:
SSN:
Beneficiary 3
Beneficiary name:
Address:
Date of birth:
SSN:
Beneficiary 4
Beneficiary name:
Address:
Date of birth:
SSN:

TRUST ADMINISTRATION CHECKLIST

- ☐ Obtain a complete copy of the trust and verify:
 - o Signatures: Trust document has been signed by each grantor/settlor, including the date signed and that the copy provided includes the signatures.
 - o Acknowledgement: Signature of notary, date signed, and notary seal/stamp included.
 - o Copies of any and all trust amendments and restatements have been received.
 - o All pages, sequentially numbered, have been included in the copy provided.
- ☐ Obtain federal tax identification number (EIN) for the trust.
- ☐ Obtain completed and signed IRS Form SS-4 Application for Employer Identification Number (EIN) and retain the original as part of the trust records.
- ☐ Verify the premium payment history.
- ☐ Verify annually:
 - o That each of the beneficiaries named in the trust is still living.
 - o The current name and address of any guardian or conservator for each beneficiary who is a minor child, or is subject to protections such as a court-ordered guardianship or conservatorship.
- ☐ Verify the date of birth and Social Security number (or EIN) for each beneficiary.
- ☐ Verify that required notices, such as Crummey letters, have been sent to each beneficiary to inform them of their withdrawal rights for each gift received by the trust.
- ☐ Maintain detailed records of all trust transactions (e.g., premiums paid, professional fees paid to attorneys and tax preparers, trustees' fees paid, gifts received, distributions made).
- ☐ Document all decisions and actions taken by the trustee (critical for both fiduciary accountability and potential legal protection). Examples include trustee decisions relating to distribution requests, policy replacement decisions, policy loans, policy surrender, court petitions for trustee instruction.
- ☐ If the trust was created for estate tax purposes, determine whether the grantor still has a taxable estate.

For each life insurance policy owned by the trust, obtain the following:

Policy Information	
Policy date:	
Policy number:	
Issuing company:	
Insured's name(s):	
Insured's age:	
Policy type:	☐ IUL ☐ GUL ☐ Whole Life ☐ VUL ☐ Term
Death benefit:	\$
Cash value:	\$
Remaining surrender period:	
Surrender value:	\$
Premium amount:	☐ \$ ☐ Paid up policy
Premium frequency:	☐ Annual ☐ Semi-annual ☐ Quarterly ☐ Monthly ☐ Other

POLICY REVIEW CHECKLIST

- ☐ Obtain a complete copy of the trust and verify:
 - o Signatures: Trust document has been signed by each grantor/settlor, including the date signed and that the copy provided includes the signatures.
 - o Acknowledgement: Signature of notary, date signed, and notary seal/stamp included.
 - o Copies of any and all trust amendments and restatements have been received.
 - o All pages, sequentially numbered, have been included in the copy provided.
- ☐ Obtain copy of policy.
- ☐ Obtain copy of most recent policy statement.
- ☐ Obtain inforce policy ledger.
- ☐ Obtain copy of policy application, including original illustration.
- ☐ Review policy performance:
 - o Compare underlying investment returns with original policy illustration.
 - o Review cash value growth over period since last annual review.
 - o Review policy's ability to generate dividends or bonuses.
- ☐ If the policy is underperforming, recommend suitable adjustments.
- ☐ Review the status of any outstanding policy loans including:
 - o Amount of loan.
 - o Interest rate charged on the loan.
- ☐ Evaluate the premium structure and determine if it is still affordable and reasonable given the grantor's current financial situation (potential modifications may include adjusting the death benefit amount, modifying the policy type, or reviewing alternate sources of funding).
- ☐ Verify that the trust is identified as the primary beneficiary on each policy owned by the trust. If not, prepare and file the appropriate beneficiary change request with the insurance company that issued the policy.

LIFE ADVANCED MARKETS

Irrevocable Life Insurance Trust (ILIT)

sample agreement for single life

An irrevocable life insurance trust ("ILIT") can be a tax-efficient way for a client to transfer wealth to their beneficiaries outside of their taxable estate.

An ILIT can also be used to effectively protect assets from a beneficiary's potential creditors and provide a structured approach to managing and eventually distributing the life insurance death benefit.

The following sample document can be shared with your client's attorney as an example to help them prepare an ILIT in situations where the policy insures only one life. It is intended for general information purposes only and should not be construed as guidance or as a substitute for professional legal, tax, or financial advice.

Setting up an ILIT typically requires the assistance of qualified legal, tax, and financial professionals to ensure compliance with tax laws and consistency with the client's estate planning goals. A trust is essentially a legal contract, and like all legal documents must be prepared by a qualified, licensed attorney.

Allianz Life Insurance Company of North America, its affiliated companies, and their representatives and employees do not provide tax or legal advice.

You should consult your own legal counsel to ensure that any agreements meet your specific needs and comply with applicable laws and regulations. The provision of this specimen document does not imply endorsement or approval of any specific terms or conditions contained within it. It is not adapted to the specific circumstances or objectives you may have.

This document is intended for informational purposes only. We assume no responsibility or liability for any errors or omissions in the content of this document, nor for any actions taken based on it.

Indexed universal life (IUL) insurance policies provide a death benefit that is generally paid income-tax-free to beneficiaries, and the potential to build tax-deferred accumulation value.

IUL requires qualification through health and financial underwriting.

Allianz Life Insurance Company of North America does not provide financial planning services.

Product and feature availability may vary by state and broker/dealer.

This content does not apply in the state of New York.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America.

Products are issued solely by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.1962 www.allianzlife.com

THE [NAME OF GRANTOR]
IRREVOCABLE LIFE INSURANCE
TRUST AGREEMENT

DECLARATION OF TRUST:

By this trust agreement dated _____, 20__, [NAME OF GRANTOR] ("Grantor") declares that GRANTOR has established the trust created by this instrument which shall be referred to as the [NAME OF GRANTOR] Irrevocable Life Insurance Trust under agreement dated _____, 20__, ("Trust") or by any other name as the trustee shall designate from time to time.

APPOINTMENT OF TRUSTEE:

Grantor hereby appoints [NAME OF TRUSTEE] ("Trustee") to act as trustee of the trust and the trustee hereby agrees to act as trustee of the trust.

TRANSFER OF ASSETS:

Grantor has transferred certain property, as identified and described on Schedule A attached to and made a part of this agreement, to the trustee contemporaneously with signing this instrument, the receipt of which property the trustee acknowledges. All property transferred to the trustee shall be administered and distributed as provided in this agreement.

ARTICLE 1 | IRREVOCABILITY AND NON-AMENDABLE

This instrument is not subject to revocation or amendment. However, grantor or any other person, other than grantor's spouse, shall have the right to make contributions from time to time to the trust. In no event shall grantor or grantor's estate have any reversionary or similar type interest in this trust or in the property held by the trust.

ARTICLE 2 | TRUST ADMINISTRATION DURING GRANTOR'S LIFETIME

The trustee shall hold and distribute the principal and income of the trust estate during grantor's lifetime as follows:

2.1 Withdrawal rights. In any calendar year during which one or more contributions are made to the trust, the following provisions shall apply:

2.1.1 Contributor's direction. The contributor may direct in writing and at or before the time the contribution is made that all or any part of the contribution either shall not be subject to any rights of withdrawal or shall be allocated for withdrawal right purposes to or among any one or more of grantor's spouse and grantor's descendants who are then living and are identified in the writing, and in the amounts or proportions, as the contributor shall specify. Any direction by a contributor shall be irrevocable once the contribution is made.

2.1.2 Allocation of withdrawal rights in the absence of direction. If no direction is made by the contributor, then the contribution shall be allocated as follows:

2.1.2.1 Spouse. The contribution shall be allocated to grantor's spouse if grantor's spouse is then living, but only to the extent that the allocation would not cause the aggregate contributions allocated to grantor's spouse from contributions made during any one calendar year to exceed \$5,000.

2.1.2.2 Children. Any contribution (or portion thereof) not allocated to grantor's spouse (or all contributions, if grantor's spouse is not then living) shall be allocated equally among grantor's children who are then living, but only to the extent that the allocation would not cause the aggregate contributions allocated to any child of grantor from contributions made during any one calendar year by any one contributor and the spouse of that contributor to exceed that child's annual exclusion limit for that year.

2.1.2.3 Other descendants. Any contribution (or portion thereof) not allocated to either grantor's spouse or any child of grantor (or all contributions, if neither grantor's spouse nor any child of grantor is then living) shall be allocated equally among grantor's descendants, other than grantor's children, who are then living, but only to the extent that the allocation would not cause the aggregate contributions allocated to any descendant from contributions made during any one calendar year by any one contributor and the spouse of that contributor to exceed the descendant's annual exclusion limit for that year.

2.1.3 Rules governing withdrawal rights. Each beneficiary may withdraw an amount from the principal of the trust equal to the amount of any contribution (or portion thereof) allocated to that beneficiary. The following provisions shall govern the rights of withdrawal:

2.1.3.1 When withdrawal right arises. Each right of withdrawal with respect to a particular contribution shall arise on the date that contribution is made to the trust.

2.1.3.2 Exercise of withdrawal rights. Any right of withdrawal may be exercised before or after it arises by delivery to the trustee of a written statement requesting that the trustee distribute all or a specified portion of the assets to which the beneficiary who exercises the right is or may become entitled for the calendar year in which the written request is made. A right of withdrawal is not deemed to have been exercised until the written request is actually received by a trustee.

2.1.3.3 Who may exercise withdrawal rights. A beneficiary who is an adult, Guardian acting on behalf of a beneficiary who is a minor (other than any contributor acting in that capacity) or a legally appointed guardian or conservator acting on behalf of a beneficiary (other than any contributor acting in that capacity) may exercise the beneficiary's rights of withdrawal.

2.1.3.4 Satisfaction of withdrawal rights. Exercised rights of withdrawal may be satisfied with cash or any other assets, including any contribution. Trust assets used to satisfy a right of withdrawal shall be valued as of the date or dates on which they are distributed. If there are insufficient assets of the trust to permit all beneficiaries who exercise their rights of withdrawal to satisfy the rights in full, the trust assets shall be distributed pro rata among the beneficiaries who exercise the rights.

2.1.3.5 Valuation of contributions subject to withdrawal rights. The amount of any contribution for withdrawal right purposes shall be the value of the contribution for federal gift tax purposes.

2.1.4 Lapse of withdrawal rights. Any rights of withdrawal of grantor's spouse shall lapse on the earlier of December 31 of the year in which the contribution is made to the trust, or 30 days after the date on which the contribution is made to the trust. On December 31 of each year, but not less than 30 days after the date on which the contribution is made to the trust, the then aggregate rights of withdrawal of each beneficiary other than grantor's spouse shall be reduced (but not below zero) by that beneficiary's General Power Amount for that year. Unless so reduced, all rights of withdrawal held by a beneficiary other than grantor's spouse shall be cumulative and continue from year to year. Despite the above provisions, when a beneficiary dies, all unexercised rights of withdrawal held by the beneficiary shall lapse immediately.

2.1.5 Definitions. For purposes of this instrument:

2.1.5.1 Contribution. “Contribution” means any direct or indirect transfer constituting a gift to the trust for federal gift tax purposes (without regard to section 2503(b) of the Internal Revenue Code) and includes the payment by any person or entity directly to the insurer of any premium on a life insurance policy owned by the trust or of interest accrued on any loan outstanding against the policy.

2.1.5.2 Annual exclusion limit. A beneficiary’s “annual exclusion limit” for a particular calendar year means the annual exclusion amount, if the contributor whose contribution is being allocated is unmarried on the date the contributor first made a contribution to the trust during that calendar year; or twice the annual exclusion amount, if the contributor whose contribution is being allocated is married on the date the contributor first made a contribution to the trust during that calendar year.

2.1.5.3 Annual exclusion amount. “Annual exclusion amount” means the maximum amount of gifts to any one donee during one calendar year that can be excluded, under section 2503(b) of the Internal Revenue Code, from the total amount of gifts that a donor is considered to have made in that calendar year for federal gift tax purposes.

2.1.5.4 General power amount. A beneficiary’s “General power amount” for a particular calendar year means the maximum amount with respect to which a lapse of any right of withdrawal for that calendar year would not be considered a release by that person of a general power of appointment for federal gift or estate tax purposes under sections 2041 and 2514 of the Internal Revenue Code, after taking account of the lapse of all other general powers of appointment (including rights of withdrawal) possessed by that person for that calendar year. If general powers of appointment (including rights of withdrawal), the lapses of which are to any extent measured by a person’s general power amount, are conferred on the same person under this instrument and one or more other trust agreements and those powers would otherwise appear to lapse in whole or in part at the same time, then, for purposes of taking other lapses into account under this instrument, the lapses under all trust agreements shall be deemed to occur in the same order as the dates of execution of the trust agreements under which those powers were conferred, beginning with the earliest. (The maximum general power amount is now the larger of \$5,000 or five percent of the aggregate value of the assets out of which, or the proceeds of which, the exercise of the lapsed powers could be satisfied. If this statutory formula or amount is changed, the new statutory formula or amount shall be applicable to this definition.)

2.1.5.1 Income. If grantor’s spouse is living, the trustee may distribute to grantor’s spouse any portion of the income (including all or none) as the trustee deems advisable to provide for grantor’s spouse’s health, education, support, or maintenance. If grantor’s spouse is not then living, the trustee may distribute the income (including all or none) to any one or more of grantor’s descendants who are then living, in any amounts and proportions as the trustee deems advisable, to provide for the recipient’s health, education, support, or maintenance.

2.2 Principal for health, education, support, or maintenance. The trustee may distribute to grantor’s spouse any portion of the principal (including all or none) as the trustee deems advisable to provide for grantor’s spouse’s health, education, support, or maintenance.

2.7 No consideration of outside resources is necessary for trustee’s discretionary distribution decisions. In making discretionary distribution decisions, the trustee is not required to inquire or take into account any income, assets, or other resources which may be readily available to or for the benefit of the beneficiary.

2.8 Priority of spouse. The trust shall be administered for the primary benefit of grantor’s spouse, and the trustee may distribute principal to or for the benefit of grantor’s spouse without regard for the interests of the remainder beneficiaries of the trust.

ARTICLE 3 | ALLOCATION OF REMAINING TRUST ASSETS

The trust assets, including all property that becomes distributable to the trustee by reason of grantor's death, not effectively distributed under the preceding provisions of this instrument, shall be allocated and distributed as follows:

3.1 Provision if spouse survives. If grantor's spouse survives me, the remaining trust assets shall be allocated between the marital share and the family share as follows:

3.1.1 Marital share. The trustee shall allocate to the marital share a fractional share of the residue of the trust calculated as follows: The numerator of the fraction shall be the value, as finally determined for federal or state estate tax purposes, of those trust assets includible in grantor's gross estate for federal or state estate tax purposes. The denominator of the fraction shall be of the value of the residue of the trust, as finally determined for federal or state estate tax purposes. The marital share shall be entitled to a pro rata share of the income earned on the residue of the trust from the date of grantor's death, including a share of income earned on assets used to discharge liabilities.

3.1.2 Family share. The balance of the remaining trust assets shall be allocated to the family share.

3.1.3 Satisfying gift to marital share. The trustee shall have complete authority and discretion to satisfy the fractional gift to the marital share in cash or in kind, or partly in cash and partly in kind, or in undivided interests in property. To the extent that there are insufficient assets qualifying for the federal or state estate tax marital deduction to fully fund the marital share, the amount of the funding to the marital share shall be reduced accordingly, and grantor acknowledges that the amount of funding may be affected by actions of the trustee and the personal representative of grantor's probate estate in making certain tax elections. The fraction, once calculated as set forth above, shall be fixed and shall not vary with changes in the value of the property subsequent to the valuation date used for federal or state estate tax purposes. Since the fractional gift is not intended to be a gift of a specified dollar amount or pecuniary in nature, the trustee shall apply the fraction to the assets of the trust at their actual value on the effective date or dates of allocation so that the actual value of the fractional share of the trust assets resulting from the application of the fraction will reflect fluctuations in the value of the trust assets. Allocations of assets by the trustee shall be limited as set forth below:

3.1.3.1 Marital deduction. Only assets qualifying for the marital deduction shall be allocated to the marital share.

3.1.3.2 Tax considerations. Grantor requests that the trustees always consider the tax consequences of allocating or distributing to the marital share any policy of insurance that insures the life of grantor's spouse, property subject to the foreign death credit, property on which a tax credit is available, or property that is income in respect of a decedent under the Internal Revenue Code.

3.1.4 Marital trust. The marital share shall be allocated to the Marital Trust.

3.1.5 Family trust. The family share shall be allocated to the Family Trust.

3.2 Provision If spouse does not survive. If grantor's spouse does not survive grantor, the remaining trust assets shall be allocated as follows:

3.2.1 Single trust for children. If any child of grantor who survives grantor is under thirty (30) years of age, the remaining trust assets shall be allocated to the Single Trust for Children.

3.2.2 Provision for descendants. If no child of grantor who survives grantor is under age thirty (30), the remaining trust assets shall be allocated to grantor's descendants who survive me, per stirpes. Each share so allocated to a descendant of grantor who has attained the age of thirty (30) shall be distributed outright to that descendant. Each share so allocated to a descendant of grantor who has not attained the age of thirty (30) shall be held by the trustee as a separate trust named for that descendant.

3.3 Provision for others. If grantor's spouse does not survive grantor and no descendant of grantor survives grantor, or if at any other time there are trust assets for which no beneficiary is specified under this instrument, the trust assets shall be distributed in equal shares to the following individuals who are then living, or to the following charities. The share for any individual who is not then living shall lapse, thereby ratably increasing the other shares: [PROVIDE NAMES AND BIRTHDATES OF OTHER INDIVIDUALS AND NAMES OF CHARITIES].

ARTICLE 4 | TRUSTS

The separate trusts created under this instrument upon and after grantor's death shall be administered and distributed as provided in this Article:

4.1 The marital trust. The Marital Trust shall be administered and distributed as follows:

4.1.1 Income. The trustee shall, from the date of grantor's death, distribute the income to grantor's spouse, in annual or more frequent installments.

4.1.2 Principal for health, education, support, or maintenance. The trustee may distribute to grantor's spouse any portion of the principal, as the trustee deems advisable, to provide for grantor's spouse's health, education, support, or maintenance.

4.1.3 No consideration of outside resources is necessary for trustee's discretionary distribution decisions. In making discretionary distribution decisions, the trustee is not required to inquire or take into account any income, assets, or other resources which may be readily available to or for the benefit of the beneficiary.

4.1.4 Priority of spouse. The trust shall be administered for the primary benefit of grantor's spouse, and the trustee may distribute principal to or for the benefit of grantor's spouse without regard for the interests of the remainder beneficiaries of the trust.

4.1.5 Distribution at death. Upon grantor's spouse's death:

4.1.5.1 Payment of taxes. Unless grantor's spouse directs otherwise by Will (whether or not probated) or revocable trust, the trustee shall pay from the remaining trust principal that portion of the estate taxes occasioned by grantor's spouse's death equal to the excess of (a) the total of all the taxes so payable over (b) the total of all taxes that would have been so payable if the assets of this trust had not been taxable in grantor's spouse's estate. Taxes shall not be apportioned to or recovered from any person. The trustee shall pay expenses incurred in determining and paying the taxes.

4.1.5.2 Distribution of balance. Any remaining assets of the Marital Trust, including any accrued income, shall be allocated and distributed in the manner provided under Article 4 as if grantor had survived grantor's spouse and died immediately after grantor's spouse's death.

4.1.6 Productive property. Notwithstanding any other provision of this instrument, grantor's spouse may require the trustee to act within a reasonable time to sell unproductive property in the Marital Trust or to convert it into productive property.

4.2 The family trust. The family trust shall be administered and distributed as follows:

4.2.1 Income for health, education, support, or maintenance. The trustee may distribute to grantor's spouse any portion of the income (including all or none) as the trustee deems advisable to provide for grantor's spouse's health, education, support, or maintenance.

4.2.2 Principal for health, education, support, or maintenance. The trustee may distribute to grantor's spouse any portion of the principal (including all or none) as the trustee deems advisable to provide for grantor's spouse's health, education, support, or maintenance.

4.2.3 Distributions to descendants for health, education, support, or maintenance. The trustee also may distribute to grantor's descendants any portion of the income or principal (including all or none) as the trustee deems advisable for the health, education, support, or maintenance of the beneficiaries.

4.2.4 No consideration of outside resources is necessary for trustee's discretionary distribution decisions. In making discretionary distribution decisions, the trustee is not required to inquire or take into account any income, assets, or other resources which may be readily available to or for the benefit of the beneficiary.

4.2.5 Priority of spouse. The trust shall be administered for the primary benefit of grantor's spouse, and the trustee may distribute principal to or for the benefit of grantor's spouse without regard for the interests of the remainder beneficiaries of the trust.

4.2.6 Distribution at death. Upon grantor's spouse's death, any remaining assets of the Family Trust, including any accrued income, shall be allocated and distributed in the manner provided under Article 4 if grantor had survived grantor's spouse and died immediately after grantor's spouse's death.

4.3 The single trust for children. The Single Trust for Children shall be administered and distributed as follows:

4.3.1 Distributions for health, education, support, or maintenance. Until grantor's youngest child attains the age of thirty (30), the trustee may distribute to any of grantor's living children and any descendant of a deceased child of grantor any portion of the income or principal as the trustee deems advisable for the recipient's health, education, support, or maintenance. Subject to these distribution standards, the trustee may determine that no distribution shall be made to one or more of the beneficiaries.

4.3.2 Division of trust. On the date when no living child of grantor is under age thirty (30), the trustee shall allocate the remaining assets to grantor's then living descendants, per stirpes. In making the division, the trustee shall not take into account any discretionary distributions previously made under this Article. Each share so allocated to a child or other descendant of grantor who has attained the age of thirty (30) shall be distributed outright to that child or other descendant. Each share so allocated to a child or other descendant who has not attained the age of thirty (30) shall be held as a separate trust for that child or other descendant, to be administered and distributed as provided in this instrument.

4.4 Separate trusts for children and other descendants. Each separate trust named for a child or more remote descendant of grantor shall be administered and distributed as follows:

4.4.1 Income for health, education, support, or maintenance. The trustee may distribute to the beneficiary all or any portion of the income of the trust as the trustee deems advisable for the beneficiary's health, education, support, or maintenance, except that upon and after the date the beneficiary attains age thirty (30) the trustee shall distribute all of the income to the beneficiary. Undistributed income shall be added to principal.

4.4.2 Principal for health, education, support, or maintenance. The trustee may distribute to the beneficiary so much of the principal of the trust as the trustee deems advisable for the beneficiary's health, education, support, or maintenance, including graduate or professional study.

4.4.3 Principal. The independent trustee may distribute any part, all or none of the principal to or for the benefit of the beneficiary as the trustee deems advisable.

4.4.4 Termination of trust. When the beneficiary attains age thirty (30), the remaining principal and any accrued or undistributed income of the trust shall be distributed to the beneficiary and the trust shall terminate.

4.4.5 Distribution at death. If the beneficiary dies before the termination of the trust, the trustee shall distribute the remaining assets of the trust, including any accrued income, to the beneficiary's descendants who survive the beneficiary, per stirpes, or if none, to the descendants who survive the beneficiary, per stirpes, of the nearest lineal ancestor of the beneficiary who is a descendant of grantor, or if none, to grantor's other descendants who survive the beneficiary, per stirpes, or if none, in the manner provided under Article 4 if grantor survived the beneficiary and died immediately after the beneficiary's death. Each share so allocated to a child or other descendant of grantor who has attained the age of thirty (30) shall be distributed outright to that child or other descendant. Each share so allocated to a child or other descendant of grantor who has not attained the age of thirty (30) shall be held as a separate trust named for that child or other descendant, to be administered and distributed as provided in this Article.

ARTICLE 5 | TRUSTEE SELECTION

Trustees shall be appointed, removed and replaced as follows:

5.1 Appointment of trustees. During grantor's lifetime, grantor's spouse may appoint additional trustees other than me, including, if grantor's spouse is not then serving as a trustee, grantor's spouse. If grantor's spouse is unable to appoint trustees, grantor's adult children, by majority vote, may appoint trustees other than me, including a descendant of grantor.

5.2 Appointment of trustees in the event of grantor's death. Upon grantor's death:

5.2.1 Appointment of trustee. grantor appoints [NAME OF TRUSTEE] as trustee of all assets and trusts established under this instrument. If [NAME OF TRUSTEE] is unable or willing to serve as trustee, then grantor's spouse, or if grantor's spouse deceased, or is otherwise unable or unwilling grantor's adult children by majority vote shall have the power to appoint any additional or successor trustee.

5.3 Powers of co-trustees. Each co-trustee or successor trustee appointed under this instrument shall have all of the rights, powers, and duties conferred upon the trustees under this instrument except as may be limited by a written instrument of appointment. The power to appoint may be exercised to provide that a co-trustee or successor trustee shall have only certain of the rights, powers, and duties otherwise conferred upon the trustees under this instrument.

5.4 Singular includes plural. References in the singular to a trustee include all trustees empowered to act with respect to a trust.

ARTICLE 6 | FIDUCIARY PROVISIONS

The trustee may exercise the powers given to the trustee during the term of any trust, and during the time after the termination of any trust as is reasonably necessary to distribute the trust assets.

6.1 Dispositive powers. Grantor gives to the trustee the following dispositive powers:

6.1.1 Disposition of certain assets. If any assets of any trust become distributable to a person who is under the age of thirty (30), the assets, other than assets which are required to be held in trust until a later age pursuant to the preceding provisions of this instrument, in the sole discretion of the trustee, may be (a) distributed to the person, or (b) distributed to a Custodian for the person under the Uniform Transfers to Minors Act or similar law, or (c) invested for the person in a qualified Tuition Program under section 529 of the Internal Revenue Code, or (d) retained in a separate trust for the person's benefit if the person has not yet attained age thirty (30). Any assets retained in trust shall be administered and distributed as follows:

6.1.1.1 Discretionary distributions. The trustee shall pay to the person the portion of the income and principal as the trustee deems advisable for the person's health, education, support, or maintenance.

6.1.1.2 Mandatory distribution. When the person attains age stated above, the trustee shall distribute the remaining trust assets to the person.

6.1.1.3 Distribution at death. If the person dies before receiving final distribution, the trustee shall distribute the remaining trust assets to the person's estate.

6.1.2 Merger of trusts. The trustee may merge the assets of any trust with those of any other trust, by whomever created, if the result does not impair the rights of any beneficiary or adversely affect achievement of the purposes of the trust, and if there is disparity in the maximum duration of the merged trusts, the shortest maximum duration shall control.

6.1.3 Discretionary termination. The Independent trustee may, without further responsibility and without prior or subsequent court approval, terminate any trust at any time after determining that:

6.1.3.1 Uneconomical. The trust is no longer economical to administer; or

6.1.3.2 Inadvisability. The trust is otherwise inadvisable to administer as a trust; or

6.1.3.3 Best interests. Termination is in the best interest of grantor's spouse, if grantor's spouse is then living, or in the best interests of the beneficiary for whom the trust was created if grantor's spouse is not then living, or if the trust has no beneficiary for whom the trust was created, in the best interests of the beneficiaries of the trust who are grantor's descendants whose generation assignment is the closest to grantor's own; provided that the Independent trustee shall not terminate a trust if termination would result in the property being made available to creditors who have a current claim against the beneficiary or to any governmental agency that has a claim (including a potential claim for reimbursement against the beneficiary) or would prevent an existing bequest from qualifying (or continuing to qualify) for the marital or charitable deduction, or would cause the revocation of an S corporation election, or would impair a beneficiary's unexercised right of withdrawal that has not yet lapsed, or would impair special use valuation under Internal Revenue Code section 2032A or any similar tax benefits under any applicable state law.

6.1.4 Distribution on termination. The Independent trustee who terminates a trust under the preceding Paragraph shall distribute the trust property, including any undistributed net income, in the following order of priority: to grantor's spouse, if then a beneficiary of the trust; if grantor's spouse is not then a beneficiary of the trust, to the beneficiary for whom the trust share was created; if the trust has no beneficiary for whom the trust share was created, then to grantor's descendants who are then eligible to receive distributions from the trust, per stirpes; and if no descendant of grantor is then eligible to receive a distribution, then to grantor's descendants, per stirpes.

6.1.4.1 Termination of interest. Upon the termination the rights of all other persons who might otherwise have an interest in the trust shall cease.

6.1.4.2 Indemnification. The Independent trustee may condition termination of any trust upon receiving indemnification from the beneficiaries who are intended to receive a terminating distribution against claims from other beneficiaries whose interests are eliminated by the termination of the trust.

6.1.5 Outright distribution. If income or principal of any trust is, by the terms of this instrument, to become part of any trust or trust share and would be immediately distributable, the income or principal may be distributed by the trustee in exactly the same manner as provided in the trust or trust share without requiring the trust to be established.

6.2 Administrative powers. In addition to the powers conferred upon the trustee under applicable law generally, grantor gives to each trustee all of the powers enumerated in Minnesota Statutes sections 501C.0815 and 501C.0816 and any successor provisions of Minnesota law and, to the extent not authorized by the foregoing, the following administrative powers:

6.2.1 Retention. To retain any assets, however acquired, for as long as the trustee deems advisable, even if their retention results in a lack of diversification.

6.2.2 Sale, lease, mortgage, pledge. To sell, exchange, mortgage, lease, convey, encumber, pledge, or otherwise distribute any real, personal or other property for any period, upon any terms and conditions, to any person, entity, beneficiary, or agent, or to a trust or estate of which any trustee is also a fiduciary, including grantor's estate.

6.2.3 Transaction with probate estate and other trusts. To purchase as an investment of the trust estate any asset of grantor's probate estate or grantor's spouse's probate estate or which belongs to any other trust created by grantor or grantor's spouse; or to lend money to grantor's estate or grantor's spouse's estate or to any other trust without personal liability of the fiduciaries thereof for repayment of the loans, the investments or loans to be made at the prices, upon the security, if any, and upon the terms as may be satisfactory to the trustee. Any trustee may make any investments or loans even if a trustee is also a personal representative of grantor's estate or grantor's spouse's estate or a trustee of the other trust.

6.2.4 Investment. To invest and reinvest in any assets the trustee deems advisable, without limitation by any statute, rule of law, or regulation limiting the investment of funds by corporate or individual fiduciaries in or to certain kinds of investments, requiring diversification or prohibiting fiduciaries from delegating investment functions or commingling assets.

6.2.5 Titling. To hold securities or other assets in their own names, with or without disclosure of fiduciary capacity, or in the name of a nominee, or in bearer form.

6.2.6 Deposit. To deposit cash in the commercial or savings departments of any corporate fiduciary or of any other bank or trust company or in any other depository.

6.2.7 Borrowing. To borrow money for any purpose they deem advisable from any source.

6.2.8 Allocation of income. To allocate between principal and income, in their discretion, all receipts and disbursements, in any manner that will not result in the loss of any marital deduction otherwise available to grantor's estate. The trustee shall have discretion to determine whether expenses of administering the trust are "transmission" expenses or "management" expenses under applicable law, and to allocate the expenses to the beneficiary or trust share as the trustee deems appropriate, and to pay the same from income or principal in a manner consistent with obtaining any marital deduction available to grantor's estate. The trustee may, but need not, create reserves out of income for depreciation, obsolescence, amortization, or for depletion of mineral or timber properties.

6.2.9 Division. To divide the trust at any time into one or more separate shares, equal or unequal, as the trustee deems advisable, to determine values, to distribute like or unlike assets to different beneficiaries or trusts and to make distributions in cash or in kind, in divided or undivided interests, provided that any assets with respect to which a death tax is paid to a foreign country or subdivision thereof shall be allocated to the family share to the extent possible.

6.2.10 Application of distributions. To make all payments of income or principal directly to the beneficiary or for the beneficiary's benefit. In the case of a beneficiary who is a minor or under other legal disability, all payments and all distributions of tangible personal property may be made directly to the beneficiary despite the disability.

6.2.11 Claims. To settle, contest, compromise, submit to arbitration or litigate claims in favor of or against the trust and all tax matters.

6.2.12 Tax elections. To make any tax elections without reimbursement or adjustment between principal and income or in favor of any beneficiary, even if the election directly affects the value of any beneficiary's share.

6.2.13 Agents. To employ agents, lawyers, investment counsel, accountants, and others, even if they are associated with a trustee, to delegate both ministerial and discretionary powers and duties to those persons with liability only for reasonable care in their selection, to place assets in an account with a trust department of a bank which the trustee selects, under any agency or other type of agreement, to rely on information and advice furnished by them without duty of independent investigations, and to pay them reasonable compensation from the trust.

6.2.14 Business entities. To exercise every other power not specifically granted by this instrument that may be necessary to enable them to create, continue, operate, expand, and change the form of any individual proprietorship, partnership, joint venture, corporation, limited liability company, or other business.

6.2.15 Continuation of business enterprise. To continue in the same form any unincorporated business or venture in which grantor was engaged at the time of grantor's death, for any period as the trustee deems advisable, or to organize the business as a partnership, joint venture, corporation, or limited liability company and continue its operation in that form whether or not any probable distributee of the business objects to the retention, continuation, or organization in the trust.

6.2.16 Additions. To accept additions to the trust from any source except grantor's spouse.

6.2.17 Disclaimer. To disclaim all or part of any interest in property to which the trust would otherwise be entitled.

6.2.18 Administrative acts. To execute and deliver all instruments that will accomplish or facilitate the exercise of the above powers and duties and to perform all other acts necessary or advisable to administer the trust.

6.3 Additional provisions. The following provisions apply to the exercise of all fiduciary functions under this instrument:

6.3.1 Waiver of bonds. No bond or other indemnity shall be required of any trustee nominated or appointed under this instrument.

6.3.2 Waiver of court jurisdiction. grantor expressly waives any requirement that any trust be submitted to the jurisdiction of any court, or that the trustee's actions be authorized or accounts be allowed by any court. This waiver shall not prevent any trustee or beneficiary from requesting any of those procedures.

6.3.3 Trustee succession, appointment, and removal procedures. The following provisions shall apply to the appointment, removal, and succession of a trustee:

6.3.3.1 Exercise of power to appoint. Any power to appoint a co-trustee or successor trustee under this instrument shall be exercised by written instrument delivered to the person or entity appointed.

6.3.3.2 Removal of trustee. To effect the removal of a trustee, the person entitled to remove the trustee shall either deliver to the trustee a written instrument stating that the trustee has been removed, or mail the instrument to the trustee's last known address by registered or certified mail, return receipt requested.

6.3.3.3 Acceptance of trusteeship. The appointment of any person or entity eligible to act as a co-trustee or successor trustee shall become effective only if the appointee's written acceptance of the appointment and trusteeship is delivered to the then acting trustee, or, if no trustee is then acting, to (a) the person or persons who exercised the power to make the appointment or their legal representative, or (b) if the appointee was named in this instrument, to the adult beneficiaries then eligible to receive income or principal from the trust or their legal representative. A successor trustee shall, upon acceptance, succeed to the preceding trustee's title to the trust assets.

6.3.4 Resignation right. Any trustee may resign at any time by delivering a written resignation to those entitled to appoint a trustee. The resignation shall be effective (a) upon delivery of the resignation to a co-trustee or (b) if there is no co-trustee, upon acceptance of appointment of a successor trustee. After the resignation becomes effective, the trustee shall not be liable for the acts of any successor trustee.

6.3.5 Custody of assets. If a corporate trustee is acting, it shall have custody of all assets, handle receipts and disbursements, and prepare accountings.

6.3.6 Approval of trustee's accounts. The trustee (or the personal representative of any deceased trustee) may render accounts to the persons who are currently eligible to receive distributions. The approval of these accounts or the failure to object to the accounts within 90 days after receipt of the accounts by those persons (or by those authorized to act on behalf of any person), in writings delivered to any trustee, shall constitute a valid and effective release of the trustee with respect to all transactions disclosed by the accounts, and shall be binding and conclusive as to all persons. Nothing contained in this Paragraph shall give any person the power or right to enlarge or shift the beneficial interest of any beneficiary of the trust.

6.3.7 Majority vote and delegation. If more than one trustee is authorized to exercise a power, the power shall be exercisable by a majority of the trustees authorized to act. A non-consenting trustee who has acted in good faith shall not be liable for the acts of the majority. grantor authorizes any trustee to delegate for any period of time to any other trustee authorized to exercise the power, the power to act on behalf of the delegating trustee.

6.3.8 Change of trust situs. The trustee may transfer the situs of the administration of any trust from Minnesota to another jurisdiction. In addition, the trustee may, but shall not be required to, elect to have the law of the other jurisdiction be the governing law of this instrument.

6.3.9 Limitations on discretion of beneficiary acting as trustee. Despite any other provision of this instrument to the contrary, no beneficiary who is also a trustee may participate, as a trustee, in any discretionary decision to withhold or distribute income or principal to the beneficiary, and no trustee may participate, as a trustee, in any discretionary decision to distribute income or principal in a manner that would satisfy a legal obligation of that trustee; except that a beneficiary may participate, as a trustee, in all discretionary decisions to withhold or distribute income or principal for the beneficiary's benefit to the extent those distributions are limited to distributions for the beneficiary's health, education, support, or maintenance.

ARTICLE 7 | GENERAL GOVERNING PROVISIONS

In applying the provisions of this trust instrument, the following shall govern:

7.1 Definitions. The following words and phrases have the following meanings:

7.1.1 Child. "Child" means a descendant of the first generation.

7.1.2 Children. Grantor's children's names and dates of birth are: [CHILD NAME], born [DATE OF BIRTH], and [CHILD NAME], born [DATE OF BIRTH]. The trustee may accept these dates as conclusive in making any determination for which they are pertinent. All references to "grantor's children" shall include grantor's children as of the date of this instrument, and any children of grantor who are born or adopted after the date of this instrument.

7.1.3 Conservator. "Conservator" means a person or entity who is appointed by a court to manage the estate of a protected person.

7.1.4 Corporate trustee. "Corporate trustee" means a trust company or national or state banking institution having trust or fiduciary powers that qualifies to serve as an Independent trustee.

7.1.5 Descendant. A reference to an individual's "descendants" means all of the individual's lineal descendants of all generations, with the relationship of parent and child at each generation determined pursuant to the [NAME OF STATE] intestacy laws in effect at the time the determination is to be made.

7.1.6 Estate tax. "Estate tax" means any estate, transfer, or other death tax that becomes due by reason of grantor's death (including any interest and penalties imposed with respect thereto), but excluding generation-skipping transfer tax, and also excluding any additional estate tax imposed by Internal Revenue Code section 2032A(c) or Minnesota Statutes section 291.03, subdivision 11 (including any interest and penalties imposed with respect thereto).

7.1.7 Guardian. "Guardian" means a person who has qualified as a guardian of a minor or incapacitated person pursuant to testamentary or court appointment, but excludes one who is a guardian ad litem.

7.1.8 Independent trustee. "Independent trustee" means any trustee other than (a) a transferor of property to the trust, including a person whose qualified disclaimer resulted in property passing to the trust; or (b) a current beneficiary of the trust who is eligible to receive income or principal pursuant to the terms of the trust; or (c) a person who has a legal obligation to support any person described in (b) above.

7.1.9 Internal Revenue Code. References to the "Internal Revenue Code" shall be to the Internal Revenue Code of 1986, as amended, and references to a particular section of the Internal Revenue Code shall incorporate any amendments and successor provisions.

7.1.10 Per stirpes. "Per stirpes" means in equal shares among living children of the person whose descendants are referred to and the descendants (taken collectively) of each deceased child of the person, with the deceased child's descendants taking by right of representation the share of the deceased child.

7.1.11 Related or subordinate party. "Related or subordinate party" shall have the same meaning as prescribed in Internal Revenue Code section 672(c).

7.1.12 Spouse. All references in this instrument to "grantor's spouse" are only to [NAME OF GRANTOR'S SPOUSE].

7.1.13 Survivorship. "Surviving," with reference to grantor's spouse, means that if grantor's spouse and grantor die under circumstances that it cannot be established by sufficient evidence that they died other than simultaneously or if grantor's spouse did survive grantor but died within 120 hours after grantor's death, grantor's spouse shall be deemed not to have survived grantor. All references to any other person's surviving grantor means that if the person dies within 120 hours after grantor's death, the person shall be deemed not to have survived grantor. A person in gestation at the time of an event who is later born alive and survives for 120 hours is "living" or "surviving" at the time of the event.

7.1.14 Trustee. "Trustee" means an original or successor trustee of any trust whether an individual or a corporation.

7.1.15 Trustee incapacity. If any individual trustee other than the grantor becomes incapacitated and has not resigned, any other trustee of the trust (or if none, the party designated to succeed the incapacitated trustee), may sign a written declaration of incapacity of the allegedly incapacitated trustee and deliver it to the trustee. If the trustee fails to object to the declaration of incapacity within 14 days of receipt of the declaration of incapacity, the trustee will be deemed to have resigned as trustee. If the trustee objects to the declaration of incapacity within 14 days in a writing delivered to the person declaring the trustee to be incapacitated, then the trustee must agree to cooperate with a competency evaluation, including signing and delivering within the stated 14 days the necessary medical releases needed to obtain the written opinion of the trustee's physician or if none, of a physician selected by the party signing the written declaration of incapacity. Expenses incurred in connection with the medical examination shall be at the expense of the trust. If the physician's opinion is that the trustee is incapacitated, the trustee shall be deemed to have resigned. If the trustee fails to cooperate promptly and fully with the examination and authorization requirements, the trustee shall be deemed to have resigned, effective as of the date of the declaration of incapacity. In determining whether the trustee is incapacitated under this Paragraph, the person or physician making this determination shall take into account whether the trustee is unable to manage property because of an impairment in the trustee's ability to receive and evaluate information or make decisions. The previous sentence does not override the standard of care otherwise required of a trustee under applicable law.

7.2 Termination of marriage. If grantor's marriage to grantor's spouse is terminated other than by reason of death at any time after the date of execution of this instrument, grantor's spouse's death for all purposes of this instrument shall be deemed to have occurred on the date of the termination. In that event, the appointment of grantor's spouse as trustee also shall terminate.

7.3 Tax effects. This instrument shall in all respects be construed in a manner that (a) all contributions shall be capable of qualifying for the federal gift tax annual exclusion to the extent the contributions are allocated for purposes of withdrawal rights; and (b) no trust principal shall be includible for death tax purposes in the estate of any contributor or of any trustee (except to the extent that (i) grantor's spouse is a trustee of the Marital Trust and an election is made to qualify any part of that trust for the marital deduction in grantor's estate, or (ii) any trustee who is a beneficiary possesses a right of withdrawal at that beneficiary's death). Any provision of this instrument incapable of being so construed or applied shall be inapplicable.

7.4 Rules of construction.

7.4.1 Governing law. Except as altered by this instrument, and except as provided in this instrument regarding a change in the situs of administration of each trust, the law of [NAME OF STATE] shall govern the meaning of this instrument and the validity, legal effect, and administration of each trust. Except as otherwise provided, all references to applicable law and [NAME OF STATE] Statutes mean those in force on the date of this instrument and shall incorporate any amendments and successor provisions.

7.4.2 Marital deduction. All provisions of this instrument shall be construed and applied so that the marital share qualifies for the federal or state estate tax marital deduction, and any provision of this instrument incapable of being so construed or applied shall not apply to the marital share.

7.4.3 Captions. Captions are for convenience only and are not intended to alter any of the provisions of this instrument.

7.4.4 Gender and number. Where appropriate, the masculine includes the feminine, the singular includes the plural, and vice versa.

7.4.5 Writing. The requirement that a person act in "writing" requires a dated written document signed by the person.

7.5 Protective provisions.

7.5.1 Intentional omissions. Grantor has intentionally limited gifts to grantor's descendants to those provided in this instrument. Any omission is intentional and not occasioned by accident or mistake.

7.5.2 Insurance or other death benefits. If any policy of insurance on the life of any person or any annuity contract, retirement plan, or other death benefit becomes a trust asset, the following provisions shall apply:

7.5.2.1 Incidents of insurance ownership. Any and all incidents of ownership in any life insurance policy shall be vested solely in the trustee other than the insured, and the insured person shall possess none of the incidents of ownership therein either individually or as a trustee. If the sole trustee acting is the insured person, the trustee shall have the duty to appoint an individual or corporate trustee whose sole responsibility may be to possess the incidents of ownership.

7.5.2.2 Powers. The trustee (except as may be limited by other provisions of this instrument) shall possess all rights, options, and other incidents of ownership respecting any policies of insurance, annuities, retirement plans or other death benefits that are assets of the trust, including, but not limited to, the right to surrender the assets for cash; to obtain loans on the assets; to receive or apply dividends or distributions from the assets; to assign or pledge the assets; to select optional modes of settlement on the assets; to enter into split dollar or other premium sharing arrangements with any appropriate corporation or other entity; to convert any policy, contract or benefit to any other form of policy, contract or benefit; to designate the trustee as beneficiary of any policy, contract or benefit; and to exercise in any manner all options relating to the assets (including any option to reduce the premiums and insurance coverage, to use assets of the policy to pay premiums, to purchase reduced paid-up insurance, to purchase additional insurance coverage or to surrender the policy). With respect to any group life insurance coverage that grantor assigns to the trustee, grantor also now assigns to the trustee all grantor's contractual rights as an employee to be provided group or individual life insurance coverage, specifically including, but without limiting the generality hereof, all future increases in the amount of the coverage and all new or substituted coverage resulting from a change in life insurance carriers or otherwise.

7.5.2.3 Premium payments. The trustee shall pay from the net income of the trust all premiums on insurance policies that are assets of the trust to the extent that the premiums are not paid by me, by any other contributor to the trust, by any employer or from other sources. The net income distributable to any beneficiary under this instrument shall be the net income remaining after payment of those premiums. The trustee may also pay from principal all premiums on insurance policies that are assets of the trust to the extent that the premiums are not paid from the net income of the trust or from other sources.

7.5.2.4 Proceeds. The receipt of any trustee covering the proceeds of any insurance or other death benefit payable to the trustee under this instrument shall fully discharge the insurer or other payor, and the insurer or payor shall not be responsible for the application or disposition of the proceeds by the trustee.

7.5.2.5 Limitations on duties of trustee.

7.5.2.5.1 Retention of policy. If grantor has contributed any policy of life insurance to the trust, the trustee may retain the policy without any liability for failing to exercise any options under the policy (including any option to reduce the premiums and insurance coverage, to use assets of the policy to pay premiums, to purchase reduced paid-up insurance, to purchase additional insurance coverage, or to surrender the policy).

7.5.2.5.2 Recommendation of agent. If the trustee purchases a policy of life insurance during grantor's lifetime, the trustee may rely on the recommendation of grantor's insurance agent or any beneficiary's insurance agent as to the type of insurance product and the insurance company (without any duty or obligation to make further inquiry or investigation concerning the policy or the insurance company issuing the policy), and the trustee shall be fully exonerated from any liability for actions taken in good faith in reliance on the agent's recommendation. Thereafter, the trustee may retain the policy without any liability for failing to exercise any options under that policy (including any option to reduce the premiums and insurance coverage, to use assets of the policy to pay premiums, to purchase reduced paid-up insurance, to purchase additional insurance coverage or to surrender the policy).

7.5.2.5.3 No duty to borrow. While grantor is living and legally competent, the trustee shall have no duty to borrow against the cash value of any policy of insurance for the purpose of paying premiums or to make use of the cash or other asset value of the policy for other investment purposes and shall have no liability for the lapse of any policy of insurance due to nonpayment of premiums if there are insufficient assets in the trust (other than the asset values of insurance policies) with which to pay the premiums.

7.5.2.5.4 No obligation to litigate. The trustee shall have no obligation to institute any litigation concerning any policy of insurance until the trustee shall first have been indemnified to its satisfaction by one or more of the beneficiaries (or other interested parties) against all expenses of the litigation to the extent trust assets are insufficient to pay the expenses.

7.5.3 Trustee liability limited. No trustee shall be liable for the action or inaction of any co-trustee or for the failure to assert breaches of trust by any former trustee. In addition, no individual trustee shall be liable for any action or inaction unless the trustee's action or inaction constitutes willful wrongdoing, gross negligence or bad faith.

7.5.4 Spendthrift provisions. Neither principal or income of any trust nor any beneficiary's interest in the trust shall be subject to alienation, assignment, encumbrance, appointment, or anticipation by the beneficiary, to garnishment, attachment, execution or bankruptcy proceedings, to claims for alimony, support, spousal election, maintenance, or payment of other obligations by any person against the beneficiary, or to any other transfer, voluntary or involuntary, by or from any beneficiary, provided that the foregoing shall not restrict the exercise of any general testamentary power of appointment and that any principal distributable to any beneficiary by reason of having attained a specified age shall be fully alienable by the beneficiary after attaining that age.

7.5.5 Rule against perpetuities. Each trust, if not sooner terminated pursuant to other provisions, shall terminate 21 years after the death of the survivor of grantor's spouse and all grantor's descendants who are living on the date of this instrument. In the event of termination of a trust under this provision, the assets shall be distributed per stirpes to grantor's descendants who were permissible recipients of the trust income immediately prior to the termination.

The grantor and the trustee have signed this instrument on or as of the date appearing at the beginning of this instrument and the trustee accepts their appointment by signing this instrument.

In the presence of:

(Witness)

[NAME OF GRANTOR]
as Grantor

(Witness)

(Witness)

[NAME OF TRUSTEE]
as Trustee

(Witness)

STATE OF [STATE NAME]
COUNTY OF [COUNTY NAME] } ss.

On this _____ day of _____, 20____, before me, a Notary Public in and for the State of [STATE NAME], personally appeared [NAME OF GRANTOR], to me known to be the person described in and who executed the foregoing instrument as GRANTOR, and acknowledged that said person executed the same as the person's free act and deed.

Notary Stamp or Seal (or Other Title or Rank)

Signature of Notary Public or other official

STATE OF [STATE NAME] }
COUNTY OF [COUNTY NAME] } ss.

On this _____ day of _____, 20____, before me, a Notary Public in and for the State of [STATE NAME], personally appeared [NAME OF TRUSTEE], to me known to be the person described in and who executed the foregoing instrument as, or on behalf of, trustee, and acknowledged that said person executed the same as the person's free act and deed.

Notary Stamp or Seal (or Other Title or Rank)

Signature of Notary Public or other official

SCHEDULE "A"
PROPERTY TRANSFERRED TO THE TRUSTEES

Issuer	Date Issued	Insured	Death Benefit	Policy Type
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				
(7)				
(8)				

(Additional assets may be added to this Trust without amending this Schedule of Property.)

LIFE ADVANCED MARKETS

Selecting a suitable trustee for your trust

Selecting a trustee is an important decision since this person will have power over all of the assets in the trust. There are several key criteria that you should carefully consider in consultation with your attorney:

INDIVIDUAL VS. CORPORATE TRUSTEE

A primary decision in selecting a trustee is whether to select an individual person to serve, or a professional trustee, sometimes referred to as a “corporate trustee.” Examples of a corporate trustee include a bank’s trust department or a trust company.



An individual trustee is often seen as offering more personal attention and potentially lower administrative fees.



A corporate trustee is generally seen as providing more expertise, impartiality, and continuity, but generally with higher fees and perhaps less personal connection.

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AMK-817 (10/2025)

A caution about individual trustees

A common choice of trustee is an individual, such as a spouse, daughter, son, or other family member. For many trusts, selecting an individual may be just fine. But keep in mind that individuals are all subject to certain potential frailties, including:

- **Inexperience** – failing to understand what actions are required or the limit of authority
- **Procrastination** – not taking action by a required deadline (e.g., failing to timely file tax returns)
- **Neglect** – failing to take action or make a decision when necessary, or not responding to a beneficiary's request for information or a distribution
- **Ego, pride, overconfidence** – failing to admit the limit of knowledge or potential risks and engage qualified experts such as attorneys, accountants, and investment advisors when necessary
- **Selfishness, greed** – putting the trustee's personal desires above those of all beneficiaries

Being appointed as a trustee can often be a challenging, stressful, and sometimes thankless job for the individual appointed. In some cases, it may even lead to potential family conflict as illustrated in the following two examples.

1

Grantor's surviving spouse as trustee

First, consider the example where a trust is established by a grantor to benefit the surviving spouse for the remainder of the spouse's life, with the remaining assets in the trust distributed among the grantor's surviving children. In this case, the children would naturally be interested in investing for growth and preserving as much of the trust as possible for future distributions to them. However, the surviving spouse may be more interested in investing the assets to produce income, or spending the assets (i.e., principal of the trust) during his/her lifetime, leaving very little for the children.

If the surviving spouse is appointed as trustee, then there is an inherent conflict and at least the potential for the children to question the trustee's management of the trust.

2

Grantor's child as trustee

Now, consider the example where the grantor (or parents as grantors) establish a trust with their children as beneficiaries. The powers granted to the trustee include the power to determine when to make distributions to each of the beneficiaries. The grantor appoints one of several children as sole trustee. Consequently, the grantor has effectively put one child in charge of distributions for his or her siblings.

While in some cases that may be just fine, the appointment also has the potential to create friction among siblings.

CHOOSING A TRUSTEE

The choice of a trustee depends on the trust's complexity, the grantor's financial goals, the family's dynamics, and a balance between personal knowledge and professional, administrative efficiency. The following chart compares the attributes of an individual serving as trustee as compared to a corporate trustee.

Comparing attributes of individual vs. corporate trustees

Attributes	Individual as trustee	Corporate trustee
Fees and costs	• Generally lower cost • Fees often based on an hourly rate	• Higher fees • Fees often based on a percentage of value of assets held in trust • May charge additional fees for managing unique assets (e.g., farm management)
Fiduciary knowledge	• May have limited fiduciary knowledge • No established processes • Generally must rely on advice from outside attorneys, accountants, tax advisors, and investment managers	• A team of professionals provide separate fiduciary subject-matter expertise (e.g., asset managers, tax experts, trust officers, portfolio managers) • Generally a trust officer is assigned to the trust
Administrative process	• Generally no established process for recordkeeping, processing transactions, or preparing periodic accounting to beneficiaries	• Established process for trust administration and distributions • Ability to maintain detailed records, process transactions, separately track income and principal, prepare or review income and other tax returns for the trust, and generate statements and annual accounts
Investment knowledge and management expertise	• May have limited knowledge of investments and money management	• Generally a portfolio manager is assigned to manage the financial assets held in the trust
Risk of loss	• Limited protection against theft or other loss • May require the individual be bonded	• Potentially lower risk of loss than using an individual trustee • Generally maintains a fiduciary insurance policy • Trust transactions are subject to regulatory review
Potential for outside influence	• Family dynamics could potentially influence decisions	• Impartial • Generally immune from influence of family or other outside influence
Oversight of trustee actions	• Limited oversight of trustee's actions unless trust is court-supervised	• Oversight by state or federal regulatory examination
Continuity	• Limited continuity – individual may serve only as able or willing • An individual's death, incapacity, or other disability may limit ability to serve	• More continuity • Corporate trustees generally have perpetual existence

WHAT TO CONSIDER WHEN SELECTING AN INDIVIDUAL AS TRUSTEE

To serve effectively as a trustee, an individual should ideally have the following personal qualities and organizational capabilities, as well as great communication skills:

Personal qualities

Ability to exercise sound judgment; a commitment to ethical behavior, empathy, patience, integrity, impartiality, and fairness; and the ability to maintain confidentiality.

Organizational skills

The ability to prepare and maintain detailed records, process transactions, separately track trust income and principal, prepare and review income and other tax returns for the trust, and generate periodic statements or accountings.

Communication skills

Ability to keep beneficiaries reasonably informed as to the administration of the trust, investment performance, and, depending upon the trust instrument and the state laws regarding trust administration, the delivery of periodic accountings; ability to promptly respond to requests from beneficiaries relating to requests for information and distribution requests.

WHAT TO CONSIDER WHEN SELECTING A CORPORATION AS TRUSTEE

Eligibility

A corporate trustee may have a minimum account size requirement, typically ranging from \$1 million to \$5 million. To meet the requirement, the total value of the assets held in trust must be at least equal to the stated amount. Some trust companies, particularly those which are part of a bank, may take into consideration other accounts held at the bank, or the total financial relationship the bank has with a customer, in determining whether it will agree to serve as trustee.

Fee structure

Understand how fees will be calculated and how they will be charged. Also, understand other costs that may apply, including account setup charges; management fees for special assets (e.g., life insurance, real estate, family farms, business interests, receivables such as promissory notes); account closing fees; litigation fees; and any extra fees for specialized services, such as sale of real estate.

Fees are often calculated based on a percentage of the total value of assets in the trust. However, many corporate trustees use a graduated fee schedule so that the larger the account size, the smaller the fee percentage. Most corporate trustees also have a

written fee schedule available upon request. Obtaining the fee schedule will allow you to compare costs across different corporate trustees.

Ability to serve the specific needs of the trust

If the trust has held, or will hold, assets other than cash and marketable securities, then be sure the corporate trustee has sufficient experience and staff to manage those unique assets. Examples of unique assets requiring special expertise and administration include: life insurance, real estate, closely held business interests, foreign assets, family farms, virtual currency (e.g., Bitcoin), boats, aircraft, and collector cars.

Regulatory compliance history

Corporate trustees are subject to regulatory review by either state or federal regulatory agencies, depending on how the trustee is organized as a business. This oversight provides an extra layer of security, accountability, and assurance that the trustee follows strict standards of conduct. While the internal details of a compliance review are private, the legal and financial actions taken by the corporate trustee, or asserted against it, are often documented in public court and government records.



YOUR FINANCIAL PROFESSIONAL CAN HELP SUPPORT YOU and your attorney through the estate planning process and discuss how life insurance can play a part. Don't hesitate to ask for their help.

LIFE ADVANCED MARKETS

Understanding the probate process

WHAT IS PROBATE?

Probate is a legal process used by a state court to interpret a deceased person's last will and testament, approve the appointment of a personal representative, and in some cases, approve the payment of claims and allow distributions to those identified in the will.

The specific steps to be followed in the probate process are determined by the laws of each state. Consequently, the procedures may vary from state to state, so it is generally a good idea to consult an attorney to determine:

- Whether a probate proceeding is necessary.
- Whether a personal representative must obtain a bond (a requirement that is sometimes waived in the will).
- What reports (such as an inventory or final account) must be prepared and filed with the court.

Depending on the amount of the probate assets, some states allow simplified or abbreviated procedures to settle smaller estates. The threshold amounts vary, but generally, if the total value of the probate assets is \$75,000 or less, then a simplified process may be used (though in some states, the threshold may be \$100,000 or more).

DOES EVERY WILL NEED TO GO THROUGH PROBATE?

No, not all wills require probate. In some cases, assets may pass directly to beneficiaries without the need for a probate, as discussed in more detail later.

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IS PROBATE REQUIRED IF THE DECEASED PERSON LEFT NO WRITTEN WILL?

Yes. If the deceased person left no written will, most states will consider that person to have died “intestate,” meaning without a “last will and testament.” In fact, many states may also require that a will be typed, as opposed to handwritten. A handwritten will is sometimes referred to as a “holographic will” and may not be eligible to be admitted for probate. For someone who dies “intestate,” some courts may require a more formal probate process, in which the personal representative must schedule a hearing and obtain court approval before taking certain actions. This is sometimes referred to as a “formal” or “court-supervised” probate.

ARE THERE DISADVANTAGES TO PROBATE?

The probate process has a number of characteristics that may make it undesirable for some individuals. Here are a few things to consider:

1. **Public nature of probate proceedings:** First of all, because probate is a court procedure and most court proceedings are public, probate filings are available for any member of the public to view at any time. This would generally include the will, death certificate, inventory of assets, information as to who will receive distributions of assets, and required accountings. This information can continue to be publicly accessed after the probate is completed and the court file has been closed. Most people would prefer to keep financial information and other information related to the estate private, especially in light of the increase in identity theft and related crimes.
2. **Unavoidable fees and costs:** Generally, there are administrative costs associated with a probate, including court filing fees, certified document fees, and publication fees (for filing legally required notices in an official legal newspaper). In addition to these costs, the personal representative is generally allowed to charge fees for their services. If an attorney is needed, the attorney’s fees will also need to be paid. The combined fees and costs can easily exceed several thousand dollars.
3. **Time delays and required notice to the decedent’s creditors:** Probate rules in most states require that the personal representative provide a written notice of the probate proceeding to each of the decedent’s creditors. In addition, a written notice to creditors must be published in an official, local legal newspaper. The estate may need to remain open for several months

in order for creditors to have sufficient opportunity to assert claims against the decedent’s estate. Therefore, the personal representative may want to wait to distribute assets to those named in the will until after the claim period has run in case any unexpected claims are filed.

4. **Probate may be necessary in more than one state:** A state court only has jurisdiction over residents of, and property located in, that state. Consequently, if an individual dies owning property in more than one state, then a probate may need to be commenced in each such state. Generally, the primary probate proceeding will take place in the state in which the deceased person maintained their primary residence. The probate in the other state is referred to as an “ancillary probate.” Obviously, the need to have multiple probate proceedings will likely result in additional fees and costs.

These are four reasons why it may be better to avoid probate, if possible. Avoiding probate is often one of the main objectives in estate planning.

HOW CAN PROBATE BE AVOIDED?

Whether probate will be required depends on the following: (1) whether assets are owned solely by the decedent at death; (2) the total amount of such assets; and (3) whether the asset can be transferred outside of probate.

Examples of assets which may be transferred outside of probate include:

- Life insurance death benefits paid to the beneficiary named in the policy.
- A qualified retirement account (e.g., IRA, 401(k) plan, SEPP, SIMPLE, Roth IRA, 457) that passes directly to beneficiaries designated by the account holder or plan participant.
- Annuities where the contract designates a beneficiary.
- A bank deposit account or other financial account designated as “transfer-on-death” (TOD) or “payable-on-death” (POD) to designated transferees.
- Title to real estate, via a transfer-on-death deed (TODD), if allowed in that state.

Another common method to avoid probate is by use of a trust – commonly a revocable living trust established by the decedent during their lifetime. Generally, any assets held in a trust will transfer outside of probate to the beneficiaries identified in the trust.

Step-by-step overview of the probate process

This brief description of the probate process is based on the *Uniform Probate Code (UPC)*. Although the UPC aims to standardize laws related to overall probate process, not all states have adopted the entire code – but many states have incorporated at least parts of the UPC into their own laws.

Step 1: Prepare the required application or petition for probate of the will

Step 2: File the following documents with the probate court and pay the applicable filing fee:

- Application or petition for probate
- Original, signed will
- Certified copy of the death certificate

Step 3: Publish notice to creditors in the official legal newspaper, and provide written notice of the probate to the deceased person's creditors, as required by state law.

Step 4: Order any necessary appraisals to determine valuation of assets; prepare and file an inventory of assets subject to probate, using values as of the date of death.

Step 5: Pay any allowed claims and administrative expenses (e.g., taxes, expenses of final illness, funeral, personal representative's fees, attorney's fees or other professional fees).

Step 6: Make appropriate interim distributions to beneficiaries and charities.

Step 7: Prepare and file a final account. The beginning balance shown on the final account should equal the values of assets shown on the inventory. Each item of income to the estate should be listed, as well as all expenses paid. The net amount should equal the remaining assets on hand for distribution to the beneficiaries listed in the will.

Step 8: Close the probate and be sure the personal representative is discharged from further service.



YOUR FINANCIAL PROFESSIONAL IS HERE TO HELP SUPPORT YOU and your attorney through the estate planning process and how life insurance can play a part. Don't hesitate to ask for their help.