

Information & Instructions: Life insurance trust

PREVIEW

1. A life insurance Trust places the proceeds of a life insurance policy into a separate Trust so that the funds may be used and administered pursuant to the terms of the Trust document. The Trust may be created for many purposes, one of which would be to allow a Trustee to manage the funds from an insurance policy rather than have an outright distribution of the funds to elderly persons or minor children.

2. The following form provides that the Trust is revocable by the Trustor and is intended to establish as the Trust property life insurance policy proceeds of the Trustor and other assets that the Trustor desires to convey from time to time. Since the trust is revocable, it will be included in the Trustor/testator's gross estate for federal estate tax purposes.

3. Summary of the form

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a. Paragraph 1 provides that the Trustor shall pay the premiums on the insurance policies and that the Trustee shall not be obligated to pay the payments for the insurance premiums. This characteristic makes the life insurance Trust a funded Trust. An un-funded Trust results if the Trustor is not obligated to pay the insurance premiums.

b. Paragraph 2 provides for the collection of insurance proceeds. Upon the death of the Trustor, the proceeds of the insurance policies subject to the Trust will be collected by the Trustee and managed and administered according to the Trust document.

c. Paragraph 3 reverses to the person named in Paragraph 3.1 the payments, dividends, surrender values, and other benefits of the insurance policies during that person's lifetime. The Trustor also has the right to add other insurance policies into the Trust.

d. Paragraph 4 allows the Trustor the right to revoke, amend or alter the Trust agreement.

e. Paragraph 5 states the beneficiaries of the Trust document.

f. Paragraph 6 states the disposition of the Trust property.

g. Paragraph 7 states the general provisions of the Trust.

h. Paragraph 8 states the Trustee's duties and compensation.

i. Paragraph 9 enumerates the Trustee's powers.

j. Paragraph 10 contains a spendthrift provision.

k. Paragraph 11 contains a ward Trust.

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1. Paragraph 12 specifies how the Trust should be construed, and contains a severability clause.

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PREVIEW

LIFE INSURANCE TRUST

This Agreement of Trust, made and entered into this [date], by and between [name of Trustor], "Trustor," joined by Trustor's spouse, [name of spouse], and [name of Trustee], "Trustee," which term shall also mean and include any co-fiduciaries and any successors, in order to create an amendable and revocable Trust for the proceeds of certain policies of insurance on the life of [name of insured], and any other assets as may from time to time be added to this Trust, to be known as the [name] Life Insurance Trust.

The Trustor has caused or will cause [his or her] life to be insured under that certain policy of insurance as set forth in a memorandum attached to this instrument, marked Exhibit "A", and made a part of this instrument, and contemplates that Trustor may hereafter from time to time procure other policies of insurance upon Trustor's life to be added to the Trust Estate created under the terms of this instrument all of which will be listed as exhibits to this instrument, as they are procured, and all of which policies are, or hereafter will be, made payable to [name], of [address], Texas, Trustee under this Agreement;

In consideration of the premises and the mutual covenants and agreements contained in this instrument, it is agreed as follows:

1. PAYMENT OF PREMIUMS AND INSURANCE PROCEEDS

1.1 The duty and responsibility for the payment of premiums and other charges on the policies of insurance shall rest solely on the Trustor, and the Trustee shall be under no duty or obligation whatsoever with respect to those payments.

1.2 The duty and responsibility to have all of the policies of insurance made payable to [name of Trustee] as Trustee under this Agreement shall also rest solely with the Trustor.

1.3 In addition to the above, my Trustee shall not be obligated or responsible for the care or safekeeping of any insurance policy prior to its delivery to or after its withdrawal by the Trustor from the Trustee, which right of withdrawal shall also exist.

2. COLLECTION OF INSURANCE PROCEEDS

2.1 Upon the death of the Trustor, the proceeds of all insurance policies, which then shall be subject to this Agreement, shall be collected by the Trustee.

2.2 The Trustee shall have full authority to take any action in regard to the collection of the policies that the Trustee deems best and to pay the expense of the collection out of the Trust Estate, but the Trustee shall not be required to enter into or maintain any litigation to enforce payment of the policies until the Trustee shall have been indemnified to the Trustee's satisfaction against all expenses and liabilities which the Trustee might in the Trustee's judgment be subjected by any action on the Trustee's part.

2.3 The Trustee shall have full authority to make any compromise or settlement with respect to the policies, or any of them, and to give to insurance companies, and each of them, all the necessary and proper releases and acquittances and full discharge of all their liabilities under the policies.

3. RESERVATIONS OF USE OF INSURANCE POLICIES AND ADDITIONS TO TRUST ESTATE

3.1 The Trustor reserves to [name] any and all payments, dividends, surrender values, and all other benefits of any kind which may accrue on account of any of the policies of insurance during the lifetime of [name], and reserves the right at any time to use the policies or any of them for the purpose of borrowing money, and may surrender and cancel the policies without the consent of the Trustee under the terms of this Agreement.

3.2 The Trustor may cause other policies of insurance on the life of [name of insured] to be made subject to the terms of this Trust, which additional policies are to be made payable to the Trustee, and the proceeds, upon collection, to become subject to all of the terms and provisions of this Agreement.

3.3 Should the Trustor, or any other person, by the terms of his or her Last Will and Testament, cause any part of his or her estate to be delivered to the Trustee under the terms of this Agreement, the Trustee agrees to receive, hold, and manage all of the property and funds which are acceptable to the Trustee as part of the Trust created by this Agreement.

3.4 The Trustee is authorized to accept the property and funds on the basis of the accounting therefore as submitted by the Executor of that estate, without requiring an audit or independent account of the Executor, and the Trustee shall not have any duty, responsibility, obligation, or liability whatsoever for any acts or omissions of the Executor.

4. POWER OF REVOCATION

4.1 The Trustor reserves the right at any time or times to amend, alter, or revoke this Agreement, in whole or in part, or any provision of this Agreement, by an instrument in writing signed by the Trustor and delivered to the Trustee in the lifetime of the Trustor.

4.2 The Trustee shall execute and deliver the insurance or instruments as may be necessary or appropriate to release all interests of the Trustee. Furthermore, the obligations, duties, and rights of the Trustee shall not be changed by any amendment without the Trustee's written consent to the amendment.

4.3 Upon the death of the Trustor, this Agreement shall become irrevocable.

5. BENEFICIARIES

5.1 The beneficiaries of this Trust are the [identify] of the Trustor, [Name] born [date(s)].

6. DISPOSITION OF TRUST **PREVIEW**

6.1 On the death of the Trustor, the Trust property shall be held in Trust or disposed of as follows:

a. The Trustee may divide the principal of the Trust into equal shares for tax purposes as follows:

- i. One share for each then living child of Trustor and one share for the then living children (collectively) of each deceased child of Trustor, which may further be divided into portions for the children on the principal representation.

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- ii. Each share set aside for the children of a deceased child may constitute a separate Trust and a separate Trust estate, and the records of the Trustee shall be kept accordingly.
- iii. Each Trust so set aside shall be known by the name of the child who is the beneficiary of that Trust, who shall be sometimes referred to later in this Agreement as the "Beneficiary".
- iv. The income and principal of each Trust created by this Section shall be administered and distributed as provided by this Agreement.

6.2 If the beneficiaries under the terms of this Agreement shall have attained the age of [twenty-five (25)] years on or before the death of the Trustor, and those beneficiaries, in the absolute and uncontrolled judgment of the Trustee, are not incapacitated by reason of legal incapacity or physical or mental illness or infirmity, the Trustee shall pay the entire net proceeds from all insurance policies under this Trust Agreement directly to those named beneficiaries and the Trust shall terminate.

6.3 The distributions to the beneficiaries described above shall be made if and only if, in the absolute and uncontrolled judgment of the Trustee, the beneficiaries are not incapacitated by reason of legal incapacity, or physical or mental illness or infirmity.

a. If the beneficiaries die prior to receiving their entire Trust estate, upon the beneficiaries' death, the corpus and undistributed income of the Trust shall be distributed to the beneficiaries' surviving issue, per stirpes, but if none of the beneficiaries' issue is then living, to the beneficiaries' heirs at law determined as of the time of the distribution under the Texas laws of descent and distribution.

6.4 Until the termination of the Trust, the Trustee may accumulate all or any part of the income or principal according to the needs of the beneficiaries.

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a. The Trustee shall distribute to the beneficiaries sufficient funds to provide for their reasonable care, support, maintenance, education or comfort in the Trustee's absolute discretion, according to the beneficiaries' needs which the Trustee may deem appropriate.

b. As to any distribution made in accordance with the provisions of this Section, the Trustee may in the Trustee's discretion make distributions to any person in any one or more of the following ways:

i. To the beneficiaries;

ii. To the guardian, committee, conservator or other similar official of the beneficiaries if a minor or incapacitated;

iii. To a relative of the beneficiaries to be expended by the relative for the care, support, maintenance, education or comfort of the beneficiaries; and

iv. By expending sums directly for the care, support, maintenance, education or comfort of the beneficiaries.

7. GENERAL ADMINISTRATIVE PROVISIONS

7.1 The Trustee, in exercising the Trustee's discretionary authority with respect to the payment of income or principal of the Trust estate to the beneficiaries, shall take into consideration any income or other resources available to the beneficiaries from sources outside of this Trust that may be known to the Trustee.

7.2 The Trustee may accept as final and conclusive the written statement of the beneficiaries receiving payment or his or her legal guardian as to other available income or resources.

7.3 The determination of the Trustee with respect to the advisability of making payments out of the principal to the beneficiaries shall be conclusive on all persons whomsoever interested in the Trust.

8. DUTIES AND COMPENSATION OF TRUSTEE

8.1 The Trustee shall determine what is income and what is principal of each Trust created under this Trust Agreement, and what expenses, costs, taxes, and charges of any kind whatsoever shall be charged against income and what shall be charged against principal in accordance with the applicable statutes of the State of Texas as they now exist and may from time to time be enacted, amended, or repealed.

8.2 No one dealing with the Trustee need inquire concerning the validity of anything the Trustee purports to do, or need see to the application of any money paid or any property transferred to or upon the order of the Trustee.

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8.3 No Trustee appointed under this Trust Agreement shall at any time be held liable for any action or default of the Trustee or the Trustee's agent or of any other person in connection with the administration of the Trust Estate, unless caused by the Trustee's own gross negligence or by willful commission by it of an act in breach of Trust.

8.4 No bond shall be required of the original Trustee under this Agreement or of any successor Trustee; or if a bond is required by law, no surety shall be required on the bond.

8.5 All corporate fiduciaries and individuals who are not related by blood, adoption or marriage to the Trustor, and who do not waive compensation, shall receive fair and reasonable compensation for services rendered in any amount not exceeding the customary and prevailing charges for services of a similar character at the time and at the place the services are performed, and all Trustees shall be reimbursed for the reasonable costs and expenses incurred in connection with their fiduciary duties.

8.6 If, in the opinion of a bank or Trust company named as Trustee and eligible to serve or already serving as a corporate Trustee, it should ever become uneconomical in the opinion of the corporate Trustee for a corporate fiduciary to continue to act as Trustee of this Trust, that Trustee may:

- a. If a Co-Trustee of the Trust is then serving, resign as Trustee without the appointment of a successor;
- b. If no Co-Trustee of the Trust is serving, resign or refuse to serve as Trustee and appoint an individual as successor Trustee; or
- c. In the case of a corporate Trustee already serving, terminate the Trust by complete distributions to the beneficiaries, if living, otherwise in accordance with Paragraph 6 of this Agreement.

8.7 The Trustor shall have the absolute and unrestricted right to remove the Trustees named in this Agreement at any time the Trustor shall determine. In the event of a removal, the Trustor shall appoint another Trustee to act as the Trustee of the Trust created by this instrument.

9. POWERS OF TRUSTEE

9.1 In order to carry out the purposes of this Trust Agreement, the Trustee, in addition to all other powers granted by law, shall have the following powers and discretions:

Retain Assets

(1) To continue to hold any and all property received by the Trustee or subsequently added to the Trust estate or acquired pursuant to proper authority if and as long as the Trustee, in exercising reasonable prudence, discretion, and intelligence, considers that the retention is in the best interests of the Trust.

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Investments

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(2) To invest and reinvest in every kind of property, real, personal or mixed, and every kind of investment, specifically including, but not by way of limitation, corporate obligations of every kind, and stocks preferred or common, which men of prudence, discretion, and intelligence acquire for their own accounts.

Management of Securities

(3) To exercise, respecting securities held in the Trust estate, all the rights, powers, and privileges of an owner, including, but not limited to, the power to vote, give proxies, and to pay assessments and other sums deemed by the Trustee necessary for the protection of the Trust estate; to participate in voting Trusts, pooling agreements, foreclosures, reorganizations, consolidations, mergers, and liquidations, and in that connection to deposit securities with and transfer title to any protective or other committee under those terms as the Trustee may deem advisable; to exercise or sell stock subscription or conversion rights; to accept and retain as an investment any securities or other property received through the exercise of any of the foregoing powers regardless of any limitations elsewhere in this instrument relative to investments by the Trustee.

Form of Ownership of Trust Property

(4) To hold securities or other Trust property in the name of the Trustee as Trustee under this Trust Agreement or in the Trustee's own name or in the name of a nominee or in the conditions where ownership will pass by delivery.

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Business Interests

(5) To continue and operate, to sell or to liquidate, as the Trustee deems advisable at the risk of the Trust estate, any business or partnership interests received by the Trust estate.

Sell and Exchange

(6) To sell for cash or on deferred payments and on those terms and conditions as are deemed appropriate by the Trustee whether at public or private sale, to exchange, and to convey any property of the Trust estate.

Division of Trust Estate

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(7) On any division of the Trust estate into separate shares or Trusts, to apportion and allocate the assets of the Trust estate in cash or in kind, or partly in cash and partly in kind, or in undivided interests in the manner deemed advisable in the discretion of the Trustee; after any division of the Trust estate, the Trustee may make joint investments with funds from some or all of the several shares or Trusts, but the Trustee shall keep separate accounts for each share or Trust.

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Abandonment of Trust Assets

(8) To abandon any Trust asset or interest in any asset in the discretion of the Trustee.

Option

(9) To grant an option involving disposition of a Trust asset and to take an option for the acquisition of any asset by the Trust estate.

Lease

(10) To lease any real or personal property of the Trust estate for any purpose for terms within or extending beyond the duration of the Trust.

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(11) To manage, control, improve, and repair real and personal property belonging to the Trust estate.

Development of Property

(12) To partition, divide, subdivide, assign, develop, and improve any Trust property; to make or obtain the vacation of plats and adjust boundaries or to adjust differences in valuation on exchange or partition by giving or receiving consideration; and to dedicate land or easements to public use with or without consideration.

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(13) To make ordinary and extraordinary repairs and alterations in buildings or other Trust property, to demolish any improvements, to raise party walls or buildings, and to erect new party walls or buildings as the Trustee deems advisable.

Borrowing and Encumbering

(14) To borrow money for any Trust purpose from any person, firm, or corporation, on the terms and conditions deemed appropriate by the Trustee and to obligate the Trust estate for repayment; to encumber the Trust estate or any of its property by mortgage, deed of Trust, pledge, or otherwise, using whatever procedures to consummate the transaction deemed advisable by the Trustee; to replace, renew, and extend any encumbrance and to pay loans or other obligations of the Trust estate deemed advisable by the Trustee.

Natural Resources

(15) To enter into oil, gas, liquid or gaseous hydrocarbon, sulfur, metal and any and all other natural resource leases on terms deemed advisable by the Trustee, and to enter into any pooling, unitization or participation, community and other types of agreements relating to the exploration, development, operation and conservation of properties containing minerals or other

natural resources; to drill, mine, and otherwise operate for the development of oil, gas and other minerals; to contract for the installation and operation of absorption and repressuring plants; and to install and maintain pipelines.

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Insurance

(16) To procure and carry at the expense of the Trust estate insurance of the kinds, forms, and amounts deemed advisable by the Trustee to protect the Trust estate and the Trustee against any hazard.

Enforcement of Hypothecations

(17) To enforce any deed of Trust, mortgage, or pledge held by the Trust estate and to purchase at any sale under the terms of this agreement any property subject to an hypothecation.

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Extending Time of Payment of Obligations

(18) To extend the time of payment of any note or other obligation held in the Trust estate, including accrued or future interests, in the discretion of the Trustee.

Adjustment of Claim

(19) To compromise, submit to arbitration, release with or without consideration, or otherwise adjust claims in favor of or against the Trust estate.

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Litigation

(20) To commence or defend at the expense of the Trust estate any litigation affecting the Trust or any property of the Trust estate deemed advisable by the Trustee.

Administration Expenses

(21) To pay all taxes, assessments, and all other expenses incurred in the collection, care, administration, and protection of the Trust estate.

Employment of Attorneys, Advisors, and Other Agents

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(22) To employ any attorney, investment advisor, accountant, broker, tax specialist, or any other agent deemed necessary in the discretion of the Trustee; and to pay from the Trust estate reasonable compensation for all services performed by any of them.

Termination by Trustee of Small Trust

(23) To terminate in the discretion of the Trustee the Trust held for the beneficiaries if the fair market value of the Trust at any time becomes less than \$[Amount] Dollars and, regardless

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of the age of the income beneficiaries, to distribute the principal and any accrued or undistributed net income to the beneficiaries, or to their guardian, conservator, or other fiduciary.

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Distribution

(24) On any partial or final distribution of the Trust estate, to apportion and allocate the assets of the Trust estate in cash or in kind, or partly in cash and partly in kind, or in undivided interests in the manner deemed advisable at the discretion of the Trustee and to sell any property deemed necessary by the Trustee to make the distribution.

General

(25) To do all the acts, to take all the proceedings, and to exercise all the rights, powers, and privileges which an absolute owner of the property would have, subject always to the discharge of the Trustee's fiduciary obligations; the enumeration of certain powers in this Trust Agreement shall not limit the general or implied powers of the Trustee; the Trustee shall have all additional powers that may now or hereafter be conferred on it by law or that may be necessary to enable the Trustee to administer the Trust in accordance with the provisions of this Trust Agreement, subject to any limitations specified in this Trust Agreement.

9.2 All powers given to the Trustee by this Trust Agreement are exercisable by the Trustee only in a fiduciary capacity.

9.3 No power given to the Trustee under this Agreement shall be construed to enable the Trustor or any other person to purchase, exchange, or otherwise deal with or dispose of the principal or income therefrom, less than an adequate consideration in money or money's worth; to permit the Trustor or any other contributor to the Trust except on the basis of an adequate interest charge and with adequate security.

9.4 The Trustee shall not use the income or principal of the Trust to pay premiums of insurance on the life of the Trustor.

9.5 No person, other than the Trustee, shall have or exercise the power to vote or direct the voting of any corporate shares or other securities of this Trust, to control the investment of this Trust either by directing investments or reinvestments, or to reacquire or exchange any property of this Trust by substituting other property of equivalent value.

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10.1 Except as to the Trustor's interest in any Trust created in this Agreement over which the Trustor has retained the right to revoke, the interest of beneficiaries in the principal or income of any Trust created under this Agreement shall not be subject:

a. to the claims of their creditors or creditors of others including the creditors of the spouse of an entitled beneficiary,

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- b. to legal process, and
- c. to voluntary or involuntary alienation.

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11. WARD TRUST

11.1 If any share of the Trust property is otherwise provided to be distributed to a person who has not attained the age of [eighteen (18)] years or to a person who, in the absolute and uncontrolled judgment of the Trustee, is incapacitated by reason of legal incapacity or physical or mental illness or infirmity, referred to as the "Ward,"

11.2 I direct the Trustee to continue to hold the share in this Trust for the benefit of the Ward. When any the minor Ward attains the age of [eighteen (18)] years or when any the other Ward, in the absolute and uncontrolled judgment of the Trustee becomes legally, mentally and physically capable of receiving that share, all remaining income and principal of that share of the Trust shall be distributed to the Ward.

11.3 The Trust will terminate when all the Wards have received their shares as delineated by this Agreement. If a Ward dies before receiving his or her share of the Trust, the principal and all accumulated income of the share of the Trust shall be distributed to the Ward's executors or administrators for administration and distribution as a part of the Ward's estate.

12. CONSTRUCTION OF TRUST

12.1 This Trust shall be construed in accordance with the laws of the State of Texas.

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Severability

If any part, clause, provision, or condition of this Trust Agreement is held to be void, invalid, or inoperative, that voidness, invalidity, or inoperativeness shall not affect any other clause, provision, or condition of this Agreement; but the remainder of this Trust Agreement shall be effective as though that clause, provision, or condition had not been contained in this Agreement.

Interpretative Clause

As used in this Trust Agreement, the masculine, feminine or neuter gender, and the singular or plural number shall each be deemed to include the other whenever the context so indicates.

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Copies

To the same extent as if it were the original, anyone may rely on a copy of this Trust Agreement certified by a Notary Public to be a true copy of this Trust Agreement. Anyone may rely on any statement of fact or deed by anyone who appears to be the original Trust Agreement or a certified copy of the original Agreement to be a Trustee under this Agreement.

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Signed on _____

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TRUSTOR:

TRUSTEE:

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