
TABLE OF CONTENTS

Chapter 1: Life Insurance and the Federal Income Tax Exclusion	1
Life Insurance and the Federal Tax System — An Overview	1
The General Exclusion Rule — IRC §101(a)	3
Chapter 1: Test Your Knowledge	7
Chapter 1: Solution and Suggested Responses	9
Chapter 2: Exceptions to the Exclusion and Accelerated Benefits	11
Exceptions to the General Exclusion	11
Accelerated Death Benefits and Viatical Settlements	14
Chapter 2: Test Your Knowledge	17
Chapter 2: Solution and Suggested Responses	19
Chapter 3: Contract Design and the Taxation of Lifetime Distributions	21
Modified Endowment Contracts (MECs)	21
Tax-Free Exchanges — IRC §1035	23
Group Term Life Insurance — IRC §79	25
Living Benefits — Taxation of Surrenders, Withdrawals, and Loans on Non-MEC Contracts	27
Chapter 3: Test Your Knowledge	31
Chapter 3: Solution and Suggested Responses	33
Chapter 4: Estate Tax Treatment of Life Insurance	35
Ownership, Incidents of Ownership, and Estate Tax Inclusion — IRC §2042	35
The Three-Year Rule — IRC §2035	37
Chapter 4: Test Your Knowledge	41
Chapter 4: Solution and Suggested Responses	43
Chapter 5: Irrevocable Trusts, Gift Tax Planning, and the Exemption Environment	45
Irrevocable Life Insurance Trusts and the Gift Tax on Premiums	45
The Estate and Gift Tax Exemption Environment for 2026 and 2027	48
Chapter 5: Test Your Knowledge	51
Chapter 5: Solution and Suggested Responses	53
Chapter 6: Specialized Personal Planning Applications	55
Survivorship Life Insurance and Estate Liquidity Planning	55
Charitable Uses of Life Insurance	56
Life Insurance and Divorce	58
Chapter 6: Test Your Knowledge	61
Chapter 6: Solution and Suggested Responses	63
Chapter 7: Business and Retirement Plan Uses	65
Business Uses of Life Insurance — A Brief Overview	65
Life Insurance Held Inside Qualified Retirement Plans (Brief Overview)	66
Chapter 7: Test Your Knowledge	69
Chapter 7: Solution and Suggested Responses	71

Glossary	73
Index	74
Final Exam Copy	75