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TEdec Topics

- a monthly news flash for October 2010

Insurance Trusts

How to set them up and record transactions

An Insurance Trust is just one of the many types of *inter vivos* trusts, but it has a number of special tax rules. The study this month will include: how to set up an Insurance Trust, including the Grantor, both for tax purposes and for purposes of making cash contributions to the trust so that the trustee can make premium deposits and how to record proceeds received on an insurance policy.

How to set up the Insurance Trust and entry transactions:

A. Add a new entity – When adding a new entity, complete the Entity Masterfile for a Trust; the type should be *inter vivos*. The Date of Funding is the date of first contribution to the trust and becomes the date before which you may not enter any transaction.

B. At Completrac Maintenance (CM) – Go to Completrac Maintenance and enter a Beneficiary/Grantor for the Grantor. In the upper left corner of this Completrac Information Window select the Grantor option and indicate for tax purposes what percentage of the income and deductions of trust, under the grantor trust tax rules in the Internal Revenue Code, will be attributed to this grantor. Then, complete the rest of the information required on the screen.

C. At Journal Entry (JE) - Enter as a Principal - Cash Account the Grantor (name and address) for the purposes of receiving cash contributions to the trust for the purpose of paying premiums on the life insurance policy. Then, enter the transaction to record the first premium deposit on the contract – either using the Account or the Transaction Method.

D. At Journal Entry (JE) - Enter dividends or interest received and adjust tax basis as necessary.

E. At Journal Entry (JE) - Enter the receipt of insurance proceeds. Look at the CTR for the insurance policy and receive the additional funds from the insurance company and deposit the same to the Insurance Policy Principal Account. Then, select the transaction of "Re-investment of ins. proceeds" and deposit the funds to whatever cash account is appropriate.

TEdec University Password for October 2010. The TEdec Web page now includes under Support an option for TEdec University. This is where you will find (1) recordings of "How to" by topic and by reference to the TEdec Tutorial, and (2) recordings of the TEdec User Webinars. TEdec users (with a current SMA) will need to sign in. The User Name is always TEdec and the Password (which changes monthly) for this month is **Kim35–>**Please take a look at TEdec University — you will be glad you did!

Free User Webinar → TEdec has scheduled a **Free User Webinar** for **Tuesday, October 26, 2010** at **9:00 a.m. and 4:00 p.m.** EST, each lasting approximately 30 minutes in length. We will highlight the subject of this month's *TEdec Topics.* Call TEdec support for your Webinar reservation. Space is limited, so call today! You'll be glad you did! We look forward to having you join our next user Webinar!

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