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Smith: PERSONAL LIFE INSURANCE TRUSTS

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RECENT BOOKS

This department undertakes to note or review briefly current books on law and matters closely related thereto. Periodicals, court reports, and other publications that appear at frequent intervals are not included. The information given in the notes is derived from inspection of the books, publishers' literature, and the ordinary library sources.

BRIEF REVIEWS

PERSONAL LIFE INSURANCE TRUSTS. By *Allan F. Smith*. Albany: Matthew Bender, 1950, Pp. 558, \$10.

The trust of life insurance policies and their proceeds is an exceedingly useful arrangement in many situations. Possessing a tailor-made flexibility not possessed by settlement options alone such life insurance trusts possess other advantages as well that often prompt their use in estate plans. In his treatment of this subject Professor Smith has, in a sense, plowed new ground. The life insurance trust while noted in periodical literature is here accorded the extensive consideration made possible by a full volume. In bringing together in one volume the principles governing creation, administration and federal taxation of life insurance trusts Professor Smith has provided the practitioner with a practical tool of real value. Written in a down to earth and engaging style, the book surveys the state of the law on the great variety of questions that arise in connection with life insurance trusts. The annotations give the impression of careful scholarship. When the professor has been unable to buttress his position with authority he candidly admits as much.

By writing this book Professor Smith has taken a firm grasp on the bear's tail. Nearly one-third of his book relates to the fluid subject of federal taxation. Even the subjects of insurance and trusts have capacity for growth and change—the more so when brought together in the comparatively new vehicle of the life insurance trust. Plainly, *Smith on Personal Life Insurance Trusts* must appear in new editions with the passing years, i.e., the hold on the bear's tail must be renewed from time to time. Against the day of these successive editions I exercise the reviewer's prerogative to raise issues outside the book. Separate treatment of the life insurance trust in connection with partnership or close corporation "buy-sell" or "survivor-purchase" agreements would seem valuable. Similarly, the use of the life insurance trust in connection with divorce settlements raises some problems not ordinarily encountered in other contexts. On the tax front, Professor Smith appears confident that the income tax exemption of installment settlement payments will carry through a trust so that such payments will reach the beneficiary in an exempt status. Whether this can be so under the present law is at least doubtful.

It is the third of the book devoted to federal taxation of life insurance trusts that will most frequently call for revision. Consider, for example, the Revenue Act of 1950 limiting the contemplation of death issue to transfers made less than three years prior to the decedent's death. Much of the concern about the poten-

tialities of the contemplation of death issue as applied to life insurance has been put to rest by this provision of the 1950 act. The very real prospect of the adoption of the recommended integrated transfer tax in lieu of the present federal gift and estate tax further dramatizes the necessity for continued revision of the volume. One may well ask whether the book might not have been published with a replaceable section on federal taxation (somewhat in the fashion of the pocket supplement).

In this the first edition of his work Professor Smith is well launched on what should assuredly be a long voyage.

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