

ESTATE PLANNING - LIFE INSURANCE AN IMPORTANT TOOL



Discover how to handle the challenge of Estate Planning and why life insurance is an important part of that package [annuities are also an important part]. First, it is really through an act of love for your family, and even your business that one should have an Estate Plan. NEVER assume that “everything is going to work out okay,” put it into writing. You should sit down with a competent attorney specializing in Estate Planning, Probate and Trusts.

Life insurance is not just only a tool to provide a death benefit for your family, or to protect your business, it is also a tool to pay estate taxes. We have discovered wealthy individuals that hold off purchasing life insurance. The truth is, life insurance will certainly provide a death benefit to surviving family members and, in uncertain tax environments like we are currently in, the benefits from the policy can create liquidity to help pay estate taxes.

For example, when Joe Robbie died in 1990. He unfortunately did not plan for his estate tax. Upon his death his estate tax ended being \$47 million. His family ended up selling the Miami Dolphins, a team Mr. Robbie had nurtured into a two-time consecutive Super Bowl winner. His estate tax issues may not have been avoided, but a life insurance policy would have prevented the family from having to sell the Miami Dolphins. Since life insurance is a long-term liquidity planning tool, there is no need to wait to the last minute to purchase a policy for protection of your family's financial security or to protect your estate from the tremendous erosion estate taxes can incur upon it.



Another area life insurance is important in Estate Planning is for the business owner. It is important to calculate the cost of your business. For example, if you are a sole business owner, what happens to your business if you die? Also, does the business have the liquidity to hire someone to take your place with the supporting salary? A Keyman insurance plan can offset this cost in two ways. First, it allows the family to hire an individual to continue to run the business. Secondly it offers liquidity if estate taxes are an issue and can pay off outstanding debts the company may have. In general, the proceeds from the insurance policy will allow the business to continue even after the owner's death. This will allow the family to still have the advantage and security of income the business provides.

For a business with partners, life insurance can fund buy-sell agreements. If a business has three partners and one dies, the wife and/or heirs will most likely start making demands for dividend from stocks that may not even exist. The proceeds from the life policy allows the payoff of the deceased partners share to his wife/heirs.

“OK”, so you say... "none of this applies to me, I do not have an issue with estate taxes!" Well, how about a complicated or very large family? How about if you have one who has an ex-wife with your children, a second wife and girlfriend expecting YOUR child? On top of that you have brothers and sisters that are quite demanding also. A death can pull apart the closest of families. Along with providing protection to your family, protection for your business, life insurance also offers an additional source of tax-free income down the road.

There are many types of policies out there as we have discussed in previous newsletters...term life, whole life, universal life, and fixed indexed universal life. Your situation and goals will determine the right type of policy for you, your family, or your business. It is extremely important to speak with a competent financial professional who will customize the product that will meet the goals of your Estate Plan.