

Chapter 33. Estate Tax Payment Life Insurance

If your Estate exceeds your Lifetime Estate Tax Exemption (\$5,430,000 each. \$10,860,000 if married), then after the death of both spouses, your family will need to pay Estate Taxes out of your Estate. For the sake of estimating, the Estate Tax will be about 40% of the value of your Estate in excess of the above amount.

Two principal reasons exist for owning life insurance with the specific purposes of paying Estate Taxes.

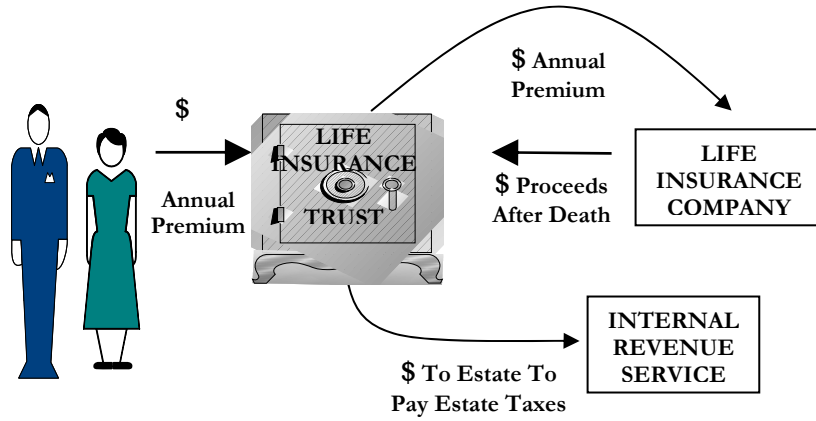
First, if you'd like your heirs to receive a certain amount, and Estate Taxes would reduce your net Estate below that amount even after you've taken the Estate Tax reduction steps available to you, then you may want to invest in Life Insurance. This can be used to pay Estate Taxes.

Second, if you don't have enough liquid assets (cash, stocks, bonds, mutual funds) to pay the Estate Taxes and own assets that aren't easily converted to cash (or that can be converted only at fire sale reduced prices) or assets you don't want sold (such as a family business), then you may want to invest in Life Insurance to cover the Estate Taxes.

If you are in either of these situations, then you don't want to add to the total Estate Tax due by having the Life Insurance be subject to Estate Taxes. This is typically best handled by having a Life Insurance Trust own and be the beneficiary of the Life Insurance.

If you are married, and since Estate Tax is not due until after the death of both spouses, you generally should use Joint Life - Life Insurance (also known as Second-To-Die or Survivor Life Insurance) to pay the Estate Taxes. This insurance pays out only after both spouses have died, that is, at the time the funds are actually needed. Because the insurance is based on the life expectancy of two persons (instead of just one), the premium is generally much less than a Single Life - Life Insurance policy.

Your Financial Planner, Investment Adviser, Accountant and/or Life Insurance Adviser can provide a more detailed analysis of the type and amount of life insurance best for you.



<i>To Do List</i>	
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