



Estate Equalization with Life Insurance [Infographic]

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By Highland Capital Brokerage

Whether they're friends, family or something in between, most estate planning clients have fairness in mind when it comes time to distributing assets. However, this can be easier said than done when it comes to assets that are not easily divided up.

Fortunately, with the right strategy, you can help your clients accomplish their goals quickly and easily. Estate equalization allows clients to leverage a pool of liquidity they can utilize to ensure beneficiaries receive their fair share.

How to equalize

Your first step will be helping clients outline their goals. Is there a family business they want to avoid dividing up? Is real estate involved?

Every client is different, as will be their needs. If the client wants heirs to receive equal shares, the goal is to make sure heirs receive, at minimum, an amount that is equal to their share of the existing estate.

However, if an equal amount is the objective, heirs should receive identical amounts based on the estate's future growth.

By calculating the recommended minimum per heir based on either share or amount, you can help clients determine what insurance options would best provide the liquidity they need.

Know the benefits

Before clients decide to utilize estate equalization, ensure they fully understand all the benefits such a strategy includes.

In addition to liquidity, there are tax savings to keep in mind. Life insurance death benefit proceeds are income tax-free. Additionally, the cash value life insurance policies build is tax-deferred. And if the policy is structured properly, clients can make tax-free loans and withdrawals using this cash value.

Estate equalization using insurance also offers clients a chance to leave their heirs with more money. Premiums can offer a better return to beneficiaries than many other taxable assets.

Additionally, clients may be able to use income and/or family business stock as a source of premiums, streamlining the process further.

Considerations to take

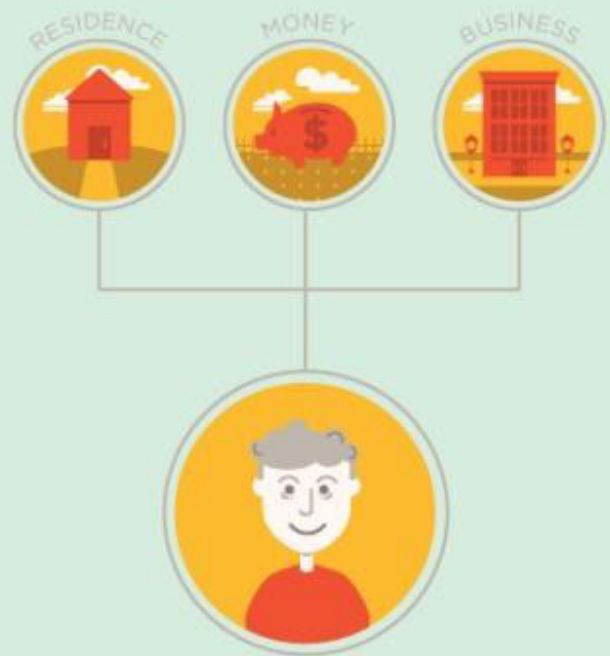
As with any aspect of estate planning, there are important factors to keep in mind if your client opts for estate equalization.

First, there is insurance eligibility to consider. Different levels of death benefits will require specific underwriting. Some clients may not be able to qualify for certain financial and medical underwriting.

It's also important to look ahead to the future when using estate equalization. Clients can better select the right amount of death benefit proceeds by calculating the projected value of assets. These calculations should also include future heirs that may be added after the estate plan is complete.

ESTATE EQUALIZATION

Leveraging Life Insurance to Distribute Assets Fairly Among Heirs



HOW TO EQUALIZE

Determine the goals: Will the business be handed over to one or more heirs? Will the real estate be given to another or shared? Such details will determine whether they should choose:

Equal Share:

Each heir receives, at minimum, an amount that is equal to their share of the **existing** estate



Ensuring fair distribution of assets among heirs is a common concern for clients when creating an estate plan. Dividing up a business, residence or other assets can be challenging, especially if there is more than one heir. In many cases, liquidity can be the solution. Leveraging a pool of liquidity through life insurance can help ensure that heirs receive fair and equitable shares.

Equal Amount:

Heirs will receive identical amounts based on the estate's **future** growth.



Calculate the recommended minimum share per heir and assess which life insurance options would best suit the client's needs.

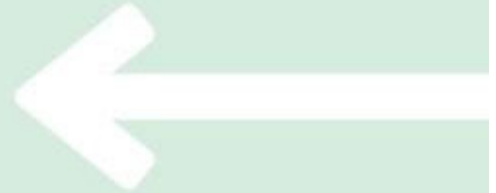


KNOW THE BENEFITS

Life insurance policies offer many benefits when it comes to Estate Equalization. Here are some benefits that your clients may not be aware of:

Liquidity:

Ensure that the estate is equally distributed among heirs by providing cash to offset otherwise unequal shares. This also provides a financial safety net against premature death.

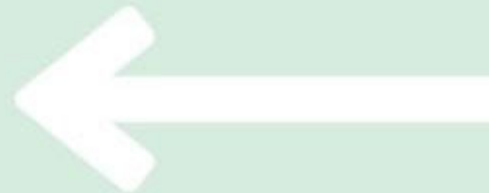


Income-Tax-Free Death Benefit

Life insurance death benefit proceeds are income tax-free.

Cash Value

Life insurance policy cash values grow tax-deferred. Depending on the policy structure, the client can also make tax-free loans and withdrawals.

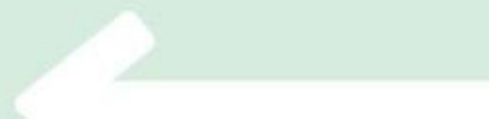
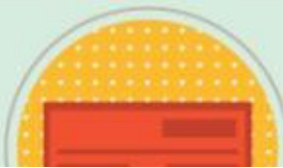


Return on Premiums

Heirs may be able to receive more money and a better return on the premiums than if the client chose to invest in a taxable asset.

Source of Premiums

Clients may be able to use income

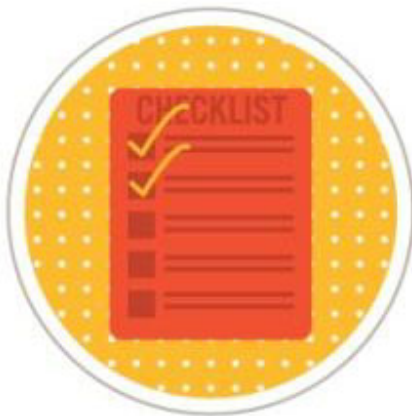


and/or family business stock as a source of premiums.

CONSIDERATIONS TO TAKE

Insurance Eligibility

This depends on financial and medical underwriting. Different levels of death benefit protection will require corroborating material.



Reasonable Projections

Select the right amount of death benefit needed based on projected values of assets. This projected value should also include future heirs that may be added after the estate plan is complete.



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