Estate Planning: Maximizing Wealth – Solving Estate Liquidity Challenges

When people die, they die under different circumstances, with different assets, right? Some people have bank accounts, investment accounts, and they've been living the good life or just living a regular life, but in the end, the ability to pay any potential estate tax is right there with the banker. Other people die with a big farm or a big business interest that they've built up over their life. Unfortunately, the value of those assets are going to create an estate tax. Now, how are the heirs or fiduciaries to pay that estate tax when those types of people pass? Well, fortunately there are strategies, right?

One strategy is to buy life insurance and place it in an irrevocable life insurance trust to help provide some life insurance liquidity to pay that estate tax.

The IRS actually provides for a couple of opportunities. One is the deferment of estate tax on certain types of business assets when certain requirements are met. There's a lot of pre-contingencies to meet in order to get that to happen but the ability to pay at a later point can be helpful. In addition, believe it or not, if the estate actually has to go out and borrow money to pay the estate tax, the interest on that loan, even the future payments, can be deducted at the net present value amount and actually reduce the estate value on what you'll pay tax on. So, all complicated scenarios and considerations but someone who dies with an liquid estate has options.

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