Using Signature Whole Life in Estate Planning Situations

Many overlook the importance of estate planning. However, settling affairs after death could have a long-lasting—and costly—impact on loved ones. Creating a clear estate plan with two main objectives in mind can minimize the risk of assets being taxed after death as well as take care of estate expenses that can quickly stack up.

Estate Planning Objectives

1. Avoid Conflict

Conflicts can occur when assets are passed to family members in a complex manner. Other conflicts can arise when there lacks a clear and concise estate plan.

2. Have Available Cash to Pay Estate Expenses and Obligations

Potential expenses that can occur from an estate owner's death can add up to a disturbingly long list:

- Federal and State Taxes
- Funeral and monument expenses
- Unpaid medical expenses
- Debts of the decedent
- Executor's fees
- Attorney's fees
- Court costs
- Appraiser's fees
- Costs of insuring and protecting estate property

A comprehensive estate liquidity strategy is necessary to provide the executor the cash flow needed to pay these types of estate obligations.

Hypothetical Example

Let's assume Jimmy Hardy is 50 years old and has a $1,000,000 estate. He does not expect to ever have a taxable estate given that, as of 2020, the estate tax only kicks in when an estate value hits $11,580,000.

However, Jimmy owns real estate including a home and two rental properties; he also owns a 401(k) plan and some other IRAs and thus has limited liquid assets. If something happens to Jimmy, his named or court-appointed executor will need to probate his estate due to the asset structure. There are several costs that could prove prohibitive for the executor of Jimmy's estate without liquid assets.

- Payments towards Jimmy's home and rental properties need to stay current to maximize the value the estate receives upon sale.
- Appraisers will need to be hired to appraise personal property and any real estate that is not sold.
- Creditors may come forward to make a claim which needs to be paid.
- Outstanding end-of-life medical bills and any other debts of the deceased.

If Jimmy wants to make the process easier for his executor and loved ones, he can take out a modest life insurance policy for $100,000 with the Insured's estate as beneficiary. This would allow the executor to file a claim upon Jimmy's death, which could be used as the liquid funds needed to keep Jimmy's assets solvent while the estate is settled.

The annual premium for a $100,000 Signature Whole Life policy would be $2,166 per annum. If Jimmy wanted to have a paid-up policy at age 65, the annual premium would be $3,465 per year through age 65. At that time, Jimmy would have a paid-up policy for $100,000 providing his estate the liquidity it needs to carry out an orderly distribution while maximizing the value of estate assets for beneficiaries.

For questions and more information, contact the Advanced Sales Department at 888-504-2550 ext. 5767.

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