

THE CRITICAL ROLE OF LIQUIDITY FOR HIGH-NET-WORTH INDIVIDUALS

As a high net worth individual, you understand the complexities of managing a diverse portfolio of assets. Your financial acumen has led you to accumulate wealth in various forms, from real estate holdings to business ventures, and perhaps even valuable collectibles. While these assets are a testament to your success, they also present a unique challenge when it comes to estate planning—particularly, the issue of liquidity to fund estate taxes.

WHY LIQUIDITY MATTERS?

At the time of death, your estate will be responsible for settling any outstanding debts and obligations. This may include federal, and possibly state, estate taxes, closely held business obligations, and other immediate financial needs that your heirs will need to address. The last thing you would want is for your loved ones to be forced into a position where they must hastily liquidate your assets—a forced sale, often at a fraction of their true value—simply to cover these costs.



STRATEGIC PLANNING WITH LIFE INSURANCE

Life insurance emerges as a strategic solution to this challenge. By incorporating life insurance into your estate plan, you can provide your beneficiaries with immediate access to liquid funds upon your passing. This ensures that they are not burdened with financial stress during an already difficult time and that your assets can be managed or transferred according to your wishes.

Moreover, life insurance proceeds are generally tax-free¹, offering a significant advantage in preserving the value of your estate for future generations. This is particularly beneficial for high-net-worth individuals, who may be subject to substantial estate taxes.

A SEAMLESS TRANSITION OF YOUR LEGACY

Ultimately, the goal is to ensure a seamless transition of your legacy, without the disruption that can come from a lack of liquidity. By planning ahead, you can safeguard your life insurance from being eroded by the estate tax by establishing an Irrevocable Life Insurance Trust (ILIT) as the owner and recipient of death benefits². Providing your heirs with financial security and the freedom to make decisions that best honor your life's work.

TAKE ACTION FOR YOUR PEACE OF MIND

We encourage you to review your current financial plan and consider the role that liquidity at death plays within it. Consult with your financial advisor to explore how life insurance can be tailored to fit your unique needs and provide peace of mind for you and your loved ones.

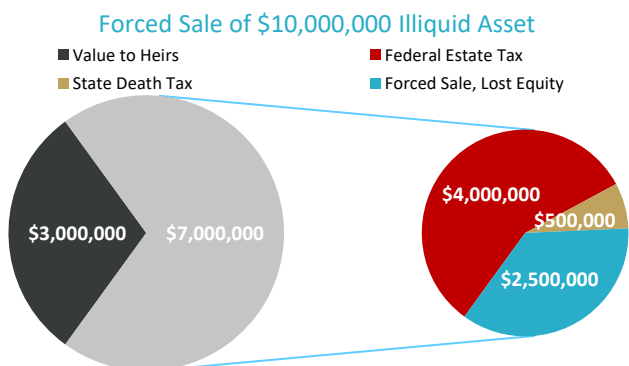
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CASE STUDY: A TALE OF TWO LEGACIES

Scenario 1: Without Life Insurance

John, a 70-year-old unmarried entrepreneur, unexpectedly passes away, leaving behind a family and a thriving business. Unfortunately, John did not have life insurance. His family is left to manage the financial aftermath of his sudden demise. They face the immediate need for liquidity to cover estate taxes and other outstanding debts.

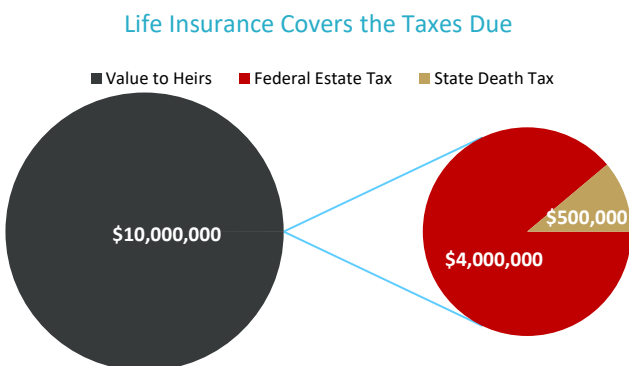
Facing a time crunch, John's family decides to sell one of his most valuable assets, a commercial property, to meet these urgent financial needs. However, due to the rushed nature of the sale and the lack of proper planning, they are forced to sell the property at a significantly lower price than its market value. This results in a substantial financial loss and additional stress during an already difficult time.



Scenario 2: With Life Insurance

In an alternate reality, John had the foresight to purchase a life insurance policy that adequately covered his family's needs. When John unexpectedly passes away at the age of 70, his family is devastated by the loss but relieved to discover that John's life insurance policy will provide them with the necessary funds to cover his obligations.

Thanks to the life insurance payout, John's family does not need to sell any assets to cover immediate expenses. They can take the time to grieve and make well-thought-out decisions about the future of John's business and assets. The commercial property remains a valuable part of John's legacy, and his family can choose to sell it when the market conditions are favorable, ensuring they receive its full worth.



The case study demonstrates the substantial role that life insurance can play in ensuring a family's financial security and providing comfort in a period of adversity. It emphasizes the need for foresight in safeguarding personal assets and family members with sufficient life insurance.

1. Per IRC §101(a)
 2. Determined by 'incidents of ownership', §2042 & §2035(d)(2)

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