

LEAVING A LEGACY

Distributing Assets Fairly and Equitably



Why it's important to have a plan in place

The distribution of assets after the death of a loved one can be difficult for everyone involved. This process does not always unfold easily, especially if there is a business to address. If heirs do not want to be involved, it may be best for the business to be left in the hands of those who will operate it. To be fair to those that won't be involved in the business, it is prudent to plan ahead.

If there is an heir that does not want to be involved with the family business, and the business accounts for much of the family's wealth, what might be the best way to address this situation? Estate equalization can be an effective strategy to implement.

A life insurance policy can help solve these potential issues by using its death benefit to address the heirs who won't inherit the business.

Estate equalization can be beneficial to small business owners who are wanting to pass on assets to multiple heirs.

Let's look at a hypothetical example.



Jane & the Printing Business

Jane is a sole proprietor of a printing business and has two children, Sarah and Jim. Only Sarah is in line to take over the business.

The Issues at Hand:

Jane's wishes are to leave a fair inheritance to both Sarah and Jim. However, when she passes away, Sarah will take over the business - but what about Jim? As it stands now, this is not an equitable inheritance.

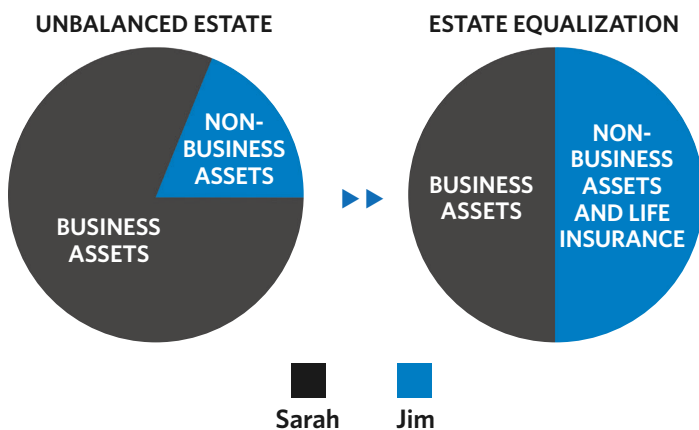
This creates two problems:

1. Business assets can be difficult to divide
2. Liquid assets may be needed quickly to settle the estate

The Estate Equalization Solution

Life insurance can help relieve these problems. First, the proceeds from the policy's death benefit can provide funds to ensure that both children receive an equal inheritance regardless of their participation in the family business. Secondly, the proceeds can provide immediate liquidity to avoid having to sell the business quickly to settle estate costs.

Jane has a plan in place. Sarah, their eldest will inherit the business and continue the operation with less of a disruption. Additionally, Jim will receive a fair portion of the proceeds of the death benefit should Jane pass away.



Good to Know: *If estate taxes are of concern, the life insurance can be placed in an Irrevocable Life Insurance Trust (ILIT) to keep the death benefit out of Jane's estate. Consult with an estate planner and your tax advisor to structure an ILIT.*

Instead of trying to divide up assets of the business without a predetermined plan in place, the family now has a strategy to continue operation and provide an equitable inheritance to both children. This was achieved by using a life insurance policy to level things out and help avoid any familial conflict down the road.

If your business or your family is lacking a plan to distribute assets equitably should the need arise, estate equalization can help calm any concerns about family inheritances and business continuation. Be sure to discuss with your financial professional if you feel such a plan could be beneficial to your business, as well as provide some peace of mind to you and your family.