

Life Insurance Estate Planning

This playbook outlines the steps for integrating life insurance into your estate planning. It aims to ensure that life insurance policies are utilized effectively to provide for beneficiaries and to address potential estate tax liabilities.

Step 1: **Assess Needs**

Evaluate your estate planning needs, considering the financial support your beneficiaries may require and any anticipated estate taxes. Assess existing assets, debts, and the potential impact of estate tax.

Step 2: **Choose Policies**

Select appropriate life insurance policies. Term life insurance provides coverage for a specific period, while permanent life insurance offers lifelong coverage and accumulates a cash value.

Step 3: **Designate Beneficiaries**

Name beneficiaries for the life insurance policies. Ensure the beneficiaries are aligned with your estate planning objectives. Decide whether the proceeds should go directly to the beneficiaries or be used for specific purposes such as paying off debts or covering estate taxes.

Step 4: **Establish Trusts**

Consider setting up trusts, if appropriate, to manage the life insurance proceeds. Irrevocable Life Insurance Trusts (ILITs) can help minimize estate taxes and provide controlled distribution to beneficiaries.

Step 5: **Review Regularly**

Regularly review and update your life insurance policies and estate plan to reflect any changes in your financial situation, tax laws, or personal wishes.

General Notes

Consult Professionals

Seek advice from estate planning attorneys and financial advisors to tailor your life insurance and estate plan to your specific situation and to stay current with tax laws and regulations.

Tax Implications

Understand that life insurance proceeds are generally income-tax-free to the beneficiary, but they may still be subject to estate tax if not structured properly.