

BUILDING BLOCKS FOR RETIREMENT

Retirement Planning Essentials

Ensuring a Fair and Equal Share for Your Beneficiaries

Realtors always cite the mantra of "Location, location, location" when explaining why some properties are worth so much more than others. If you were lucky enough to buy your family home decades ago in an area that has now become extremely desirable, you know that buyers are usually willing to pay top dollar for properties in your area.



Although you're probably delighted that your home has become so valuable, it's created something of an estate planning dilemma for you. Only one of your three children is interested in living in the family home after you die. The other two have said they have no plans or desire to move back to where they grew up. But you want all of your children to share equally in your estate. Since your house now accounts for the greatest portion of your net worth, how can you be certain that all three will be taken care of fairly?

Finding a Fair Solution

One way to work around this potential problem is to consider buying a life insurance policy. Essentially, you would look to buy a policy with a death benefit that's large enough to make up for the projected market value of the property you wish to leave to one child. Upon your death, the proceeds of the life insurance policy would be distributed to your two other children.

For example, if the anticipated value of your home is \$2.5 million, you could establish an irrevocable life insurance trust (ILIT) and buy a \$5 million life insurance policy with the ILIT as the owner and beneficiary of the policy. You could then name your two other children as the equal beneficiaries of the ILIT. When you pass on, the child who wants the family home inherits it and your other children split the insurance policy's proceeds equally.

The bottom line is that life insurance can be a very effective tool for equalizing inheritance among heirs. This strategy can also be used if there is a family business, farm, or vacation property you wish to leave to one child. Of course, estate planning is a complex and ongoing process. The input of an experienced financial professional can be very helpful.



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