

In devising a proper estate plan, it can be important for the surviving spouse to have enough cash flow or other liquid assets to cover the estate administration and estate tax bills when they come due after the death of your spouse.

If the surviving spouse's assets are tied up in illiquid assets, then there might not be enough cash to pay these bills. This could put added pressure on the surviving spouse to sell the illiquid assets as soon as possible and probably for less than market value if the buyer is reasonably savvy.

An Irrevocable Life Insurance Trust funded with a single-life insurance policy on the deceased spouse may be the answer to this dilemma. The trust owns the life insurance policy and the surviving spouse can be the beneficiary. The value of the life insurance is excluded from the deceased spouse's estate (for estate tax purposes) because the deceased spouse does not technically own it. Rather, the Irrevocable Life Insurance Trust owns the policy. Upon the death of the spouse, the surviving spouse receives the insurance proceeds and is in a position to pay off the estate administration and estate tax bills.

An alternative life insurance product is a second-to-die policy that doesn't pay out until the surviving spouse passes away. Such a policy could be used when there is enough assets available to cover estate administration expenses and the proper party elects to postpone paying estate tax until the surviving spouse passes away.

Please contact me for further questions!