

# Estate Planning: Does Life Insurance Still Matter?

CHANGES MADE SEVERAL YEARS AGO to the tax code appear to give a huge break to the heirs of high net-worth individuals. But if you think this means you no longer need life insurance as part of your estate plan, think again. As it stands, the law is set to expire in 2011, returning the tax to its 2001 levels — if Congress lets the current law last that long. So before making any decisions, it's important to separate fact from fiction regarding estate taxes and their impact on your need for life insurance.



**FICTION: The new tax law means I no longer need life insurance to help my heirs pay estate taxes.**

**FACT:** Under the law, heirs of high net-worth individuals will still pay estate taxes until they are repealed for one year in 2010.

“Unless you are certain you are going to die in 2010, you have to continue to plan,” says Steve Leimberg, CEO of Leimberg Information Services, which educates professionals about changes in the tax law.

Even if the federal estate tax is eliminated, your heirs still might need cash to cover costs such as state inheritance taxes, lawyer fees, probate costs or appraisals.

Leimberg suggests planning conservatively, based on today's rules. In most cases, when a life insurance policy is placed in an irrevocable trust, it is not counted as part of your estate, and its proceeds are immediately available to your heirs to pay any taxes or fees they might face.

**FICTION: When I die, my heirs can liquidate my assets to cover any estate taxes or other expenses.**

**FACT:** “Assets that pass according to your will are subject to supervision by the probate court,” says LIFE president David F. Woods, CLU, ChFC, meaning it may not be possible for your heirs to liquidate them immediately.

Even if selling assets is an option, the family may be forced to dispose of them quickly, at only a fraction of their true value. Or, assets may be tied up in art or real estate, which heirs might be reluctant to liquidate.

“When properly planned, life insurance can provide cash that isn't subject to probate and allows heirs to make decisions about the estate that aren't influenced by an immediate need for cash,” says Woods.

**FICTION: I can give up my insurance now; if the estate tax is never fully repealed, I'll just buy more later.**

**FACT:** If you give up your policy thinking you can always buy another later on, you may be in for a surprise. Factors such as higher premiums at a later age, the onset of health conditions or dangerous new hobbies may make such a purchase expensive or impossible. “You are better off having the insurance in force and changing your mind than not having it and having your health change,” says David B. Malkin, CLU, ChFC, president of New Jersey Life and Casualty Associates, Inc.

**FICTION: Estate tax laws are unpredictable, so I cannot plan properly.**

**FACT:** Life insurance agents, accountants and attorneys can help you adjust your estate and financial plans to take advantage of the opportunities in the new law. “Planning should continue,” Leimberg says, “as long as there is somebody or something you love.”

**For more information, visit LIFE's Web site at [www.lifehappens.org](http://www.lifehappens.org) or call 888-LIFE-777 for a free Consumer's Guide to insurance.**



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