BALANCING A LOW LIQUIDITY ESTATE
WITH
LIFE INSURANCE

THE NEED

Some estates are predominately made up of fixed assets, usually real estate, both as investments and personal use. Fixed assets are particularly difficult to divide between heirs. Rarely is it wise to leave a single fixed asset to multiple heirs. Rather, it's much better to leave a single fixed asset to a single heir. The problem is properties never have identical value, either monetarily or emotionally. While some investment properties can be sold, with the proceeds being used to balance an estate, legacy properties, such as family farms, lake houses or beach houses don't lend themselves to being sold. There is usually a desire to pass down legacy assets equally to heirs. While that would be equal treatment, it might not be fair. An absentee sibling would have little benefit from having ownership in a family farm a thousand miles away, just as a sibling who doesn't enjoy the beach would have little benefit from ownership in a beach house.

Estate liquidity is the key to addressing such concerns, assuming they are adequate. Sometimes, there isn't enough liquidity.

THE SOLUTION

Take out a life insurance policy on the least costly parent to insure, with the death benefit being used to provide tax free liquidity for the estate. This additional liquidity will allow the estate to treat heirs both equally and fairly.