



Chicago Estate Planning Council
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Why is life insurance part of the estate planning process?



- (1) Create an estate that will support dependents: The most essential function of life insurance is to assure the necessary support for dependents in the event of a breadwinner's premature death.
- (2) Preserve assets that would otherwise have to be sold to pay any estate taxes: Whether or not your assets are illiquid, if your estate is subject to estate taxes, a large percentage of your assets may have to be sold within nine months of your (or a surviving spouse's) death to pay estate taxes. Life insurance provides cash that may be needed to pay estate taxes.
- (3) Equalize or balance the value of your children's individual inheritances: If only some of your children will inherit certain assets – for example, a family business or a home (including a second residence) – life insurance for the benefit of other family members can be used to equalize the distribution of your estate.
- (4) Fund a buy-sell agreement or business succession plan: Business buy-sell agreements or succession plans create rights and obligations to transfer or purchase business ownership interests under certain circumstances, including the death of an owner. Life insurance can be used to fund this obligation.

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