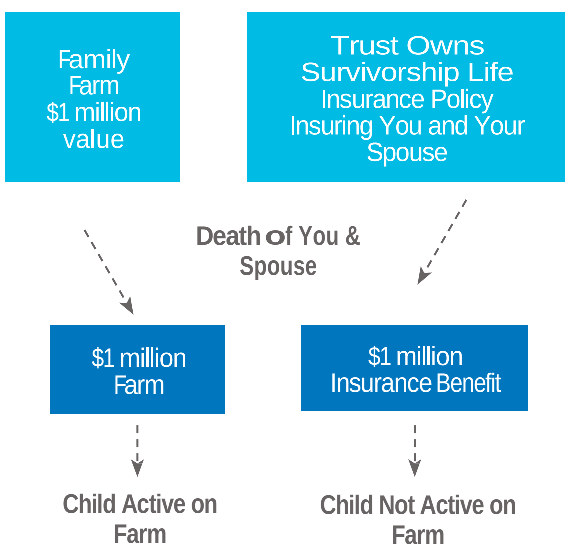
Estate Equalization

Estate equalization is a planning strategy that can benefit farmers and ranchers with children who work on the farm and children who do not. If you're like most farmers and ranchers, you face a two-fold problem:

- Most of your assets are tied to the farm or ranch.
- You want to pass the operation down to those children who want to work the land.

But what about the children who work in town, have pursued a profession, or simply aren't interested in the farm? A survivorship life insurance policy and some basic planning can provide a solution. The proceeds from life insurance can benefit the off-farm children, helping equalize the inheritance each child will receive.



Benefits

- One or more children will be able to inherit the farm or ranch unencumbered by the interests of the other children.
- Your children will receive equitable inheritances without having to liquidate assets or sell land.
- When life insurance is purchased by a properly structured trust, the life insurance proceeds will be excluded from your estate and will not be subject to estate taxes.

Considerations

- The trust, set up to own the survivorship life insurance policy, is irrevocable.
- The life insurance benefit is paid only at the death of the second spouse.

Wondering if estate equalization is right for you? It's just what David and Susan needed.

Meet the Jamisons.

David and Susan Jamison own a family farm that consists of apple orchards and berry fields as well as pigs, goats, and chickens. Their son, Ron, has moved away to pursue his own career, but their daughter, Mary, works the farm with them. As they begin estate planning, they realize that almost all of their assets are tied to the farm. It's very important for them to pass the farm on to their daughter, who is interested in running it, but they also want to ensure that their son receives an equal inheritance.

They are equalizing their estate distribution by planning ahead.

To even out the assets that are tied to the farm and those that aren't, David and Susan establish an irrevocable life insurance trust, naming Ron as the trust beneficiary. The trust purchases a survivorship life insurance policy. To pay the life insurance premiums, the Jamisons make regular gifts to the trust with nonfarm assets (premium amounts can maximize the use of annual gift tax exclusions and applicable exclusion amounts and avoid gift tax on premium amounts gifted to the ILIT).[1] In most cases, gifts can be carefully structured to ensure that they qualify for the annual gift tax exclusion.

Now their farm can carry on, and both of their children are taken care of.

When both David and Susan pass away, Mary will inherit the farm, and the death benefit from the trust will provide Ron with an equitable inheritance.

You, too, can ensure that your children receive an equivalent inheritance by planning ahead with estate equalization. Talk to your financial representative today.

[1] Annual gift tax exclusions for 2014: $14,000. Exclusion amount for 2014: $5,340,000.

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