

Four Ways to Pay Estate Taxes – Comparison

Use Cash
\$1,000,000



Cash used to pay estate tax is **100¢** per dollar of settlement.

Sell Assets
\$1,250,000



Selling assets may be below fair market and cost **125¢** per dollar.

Borrow Funds
\$1,490,000



Borrowing money to pay estate settlement costs **149¢** per dollar.

Life Insurance
\$260,480



Using life insurance to pay estate settlement costs **26¢** per dollar.

Four Ways to Pay Estate Taxes – Continued

1. Use Cash

- Difficult to accumulate large sums of cash
- Must forego high growth investment opportunities
- Each dollar saved increases the estate tax
- Cash fund may be inadequate if death is premature

Cost is 100¢ per \$1.00 of estate settlement.

2. Sell Assets

- The market may be down at time of sale
- The sales expenses may be substantial
- Lack of a ready market may allow a sale only with heavy discount

Percent Below Market Value	Cost per Dollar of Estate Settlement
5%	105¢
10%	111¢
15%	118¢
20%	125¢
25%	133¢
30%	143¢

Cost shown in this example is 125¢ per \$1.00 of estate settlement.

3. Borrow Funds

- Loans to estate may be difficult to obtain
- If available, loan rates may be high
- The loan must be repaid with interest

Our example assumes an 8% loan in a 35% tax bracket paid over 10 years, or 149¢ per \$1.00.

4. Life Insurance

- Uses “discounted dollars” to pay estate costs
- Benefit payment occurs exactly when needed
- No income taxes on policy value growth or benefits
- Allows other assets to be invested to greatest advantage

Our example uses the maximum lifetime premiums from a policy illustration (enclosed).