Survivorship Life Insurance Policies

Survivorship life insurance is a product used mostly for estate tax planning purposes. Where estates are large but illiquid, this financial tool can be effective for raising necessary funds to conserve the estate from taxation. Many attorneys and CPA's recommend this type product for the estate tax purpose and usually recommend that it be placed into an irrevocable life insurance trust. Survivorship life works best for ages 65 and over.

However, for ages 65 and over, survivorship life insurance may have some serious consequences for the insured and their heirs that sometimes get overlooked. One such risk is whereby one spouse lives to or beyond life expectancy. Since the policy doesn't pay until the second of the spouses to die, such a long time frame may reduce the advantage of the death benefit as an effective way to pay the estate tax.

A more serious consequence potentially occurs when one spouse dies at an early age (example age 50) and the other spouse lives to an old age (example age 90). The loss of not paying a death benefit on the first spouse's death has a large lost opportunity cost to the eventual heirs. In either of the two cases just mentioned, a significant portion of the estate assets may be lost for the heirs. These losses occur because the future value of the premium payments and/or death benefits not paid out at the first death may be equal to or greater than the value of the death benefit. These costs should always be explained and clearly calculated to consumers before considering survivorship life insurance as an estate planning strategy.

The LEAP process offers consumers many choices in the selection of a well-designed estate plan. We seek to build a plan that will work under almost any scenario, and not just a few. Only a fair and balanced analysis can provide such a complete appraisal to select the most appropriate estate-planning tool.

PML-C100421
© 2003-2012 Leap Systems, LLC – LL005o-PML-R1302 – No part of this page may be reproduced, abstracted, excerpted, transmitted, in any form by any means, electronic, mechanical, or photographic, or stored in information systems, except as set forth in writing under a license from Leap Systems, LLC. Any other use is prohibited. LEAP® is a trademark of Leap Systems, LLC.

The content within this section is for educational purposes only and should not be construed as investment advice. It is important to note that the implementation of any strategies provided as a part of LEAP are designed to aid one in reaching their financial objectives, but no assurance can be made that these objectives will in fact be reached. Individual results may vary.

Registered Representative of, and Securities and Investment Advisory services offered through Hornor, Townsend & Kent, Inc., (HTK), Registered Investment Advisor, Member **FINRA**/**SIPC.**