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HOW TO ELIMINATE ESTATE TAX



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By William York, VP of Marketing

Estate tax can have a devastating effect on the wealth created over an individual's lifetime. One of the biggest barriers to creativity in this area is relying on outdated or untested assumptions. To break free from this trap, you need to question the status quo and explore relevant materials that have stood the test of time and proven to be reliable.

Can you imagine paying millions of dollars in estate tax when there is a proven alternative to eliminate this problem?

PERSONALLY, I THINK IT IS INSANE

Moreover, the current situation is magnified by the current tax exemptions that are scheduled to change on [December 31, 2025](#). Barring any action by Congress, the tax structure will cause high net worth individuals to pay a huge increase. The estate, gift and generation-skipping transfer tax exemption amounts will be cut in half. This decrease in exemption will result in significant additional transfer tax for families with federally taxable estates.

In addition to federal estate tax, 17 states currently impose a state inheritance tax.

HOW DO THE CREATIVE WEALTHY AVOID ESTATE TAX?

The solution to the issue being highlighted today is regularly used by the very wealthy. They avoid estate tax by creating a trust and funding it with permanent life insurance. The life insurance is financed by loans financed from a financial institution. The financed loan is eliminated in the future by a part of the life insurance policy and the remaining death benefit is utilized to pay the impending estate tax liability, thus allowing them to leverage their wealth without affecting lifestyle or business. This proven technique

has stood the test of time and utilizes components that cannot be challenged.

This methodology assumes that either a husband or wife is insurable. It is the simplest, most direct method to eliminate estate tax.

Like every tool/plan it does require a professional to establish and administer. This is the rub, as without having a clear understanding of the entire life insurance industry, a costly misstep is common. Only a special type of insurance policy should be used and most insurance agents are guided by life insurance home offices and lack the sophistication required. Most don't understand the liquidity issues or the provisions surrounding distributions. In fact, many life insurance professionals believe that life insurance will not be included in their estates at death. This is completely inaccurate. The full amount of your life insurance will be included in the estate and will be subject to estate tax when you die.

CONSULT AN EXPERT

- Many clients consider financing the proper life insurance policy premiums superior to reducing the gift tax implications of contributing assets to a trust.
- Many clients consider financing the proper insurance policy premiums of their female partner superior to insuring themselves because of actuary calculations.
- Many clients consider the proper life insurance policy premiums a superior

methodology because this technique has been utilized by them in other areas of financing business.

In consulting an expert, it must be understood that there are three parties to this transaction ... the financing arm, the insurance company and the insured. The program must be established to recognize interest rate fluctuations, market volatility and the use of collateral – at all times. It is not an insurance transaction but rather a business transaction.

Structured properly, however, this technique allows qualified individuals the flexibility to meet their insurance needs while keeping their assets involved in other income or revenue generating ventures. Knowing what constitutes an overall design gives all parties the confidence to meet this new threat in the tax area.

In the end it's not just the "TOOL" you use, but HOW you use the "TOOL".

For further discussion call Joe Tucciarone @ 516-398-1337 or reach out by email at Jtucciarone@nnaplan.com.



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