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The Role of Life Insurance

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THE ROLE OF LIFE INSURANCE

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Most business, whatever the size and whether the organization is a corporation, partnership, or sole proprietorship, suffer from a common fault — a shortage of working capital. The expansion of the American economy in the last decade has been of such proportions that the original capital stock structures of many businesses are wholly inadequate to keep pace with the immediate demands for expansion. As a result there is an extensive use of new stock and bond issues. Lending institutions of all kinds are called upon to carry an ever-increasing part of this load through the media of short and long term notes, both secured and unsecured. The lack of basic financing that plagues business extends into the personal estates of individuals and applies to them regardless of their size. Generally, as the personal estate grows in size the more critical the problem becomes.

During a period of economic expansion neither businesses nor estates grow merely by accumulating cash surpluses. In order to realize growth, business organizations must create a demand for their products and meet the demand by purchasing the raw material and equipment needed to supply it; and the individual must invest his money in income-producing real estate, securities, and business ventures. An estate grows in proportion to the acumen with which the owner invests his money, just as a business grows by meeting the demand created. The ability of the individual estate owner to manipulate his cash, his other assets, and his obligations at maximum effectiveness gives momentum to the entire economy and in turn makes possible business and estate augmentation.

The need for systematic investment procedures and manipulation of assets in the maintenance of business and estate growth actually creates the converse situation on the death of an individual estate owner. The momentum created by his investment ability ceases, the acumen is lost, and the estate or business growth halts. Immediately following this there must be a reckoning, since the orderly administration of the decedent's estate demands that his debts be paid within a very short time. Estate assets must be sold to pay liabilities; and, because the sale in most cases is forced, estate shrinkage inevitably

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occurs. Whether the estate owner has had the depth of perception needed not only to create an estate but also to properly plan its devolution is evidenced by the amount and characted of the assets that remain for his beneficiaries after the payment of estate transfer costs.

THE ESTATE LIQUIDITY PROBLEM

Shrinkage of Assets

The two elements that cause the greatest shrinkage in estate assets are mortgage factors, or fixed liens against estate assets, and depreciation factors, or losses that occur because of variation in value of estate assets.

The mortgage factors are the costs of the administration, including personal representative's and attorney's fees and court costs, the debts of the decedent, claims against the estate, and death duties. These items are liens against the assets of the estate, and the amount that must be paid ordinarily depends upon the value of the estate.

The depreciation element of estate shrinkage can be best illustrated by two examples. Suppose one of the estate assets is a grocery store, a sole proprietorship, the fair market value of which is $30,000. During his ownership the estate owner has realized a net annual profit of approximately $6,000 per year. A short time after the proprietor's death, either because of a statute or for one of many other reasons, this business has to be sold. Three segments make up the depreciation factor in this situation. First, the death of the estate owner eliminates an excellent manager whose ability made possible a twenty per cent return on the average capital investment. Second, if the business is not sold as a going concern, any good will that may have been built up will be lost and at most only the fair market value of the capital assets after payment of the business debts can be realized. Third, in most cases the sale of the assets will be forced; the amount realized by public auction will be considerably less than the net value of the business liquidated under other circumstances. A second example of estate shrinkage through depreciation is the loss attending inept or careless management of assets either during the period of administration or after the estate assets are distributed to the beneficiaries. The depreciation factor may occur in any estate; it is one element that can be controlled to a considerable degree by proper estate planning.

Alternative Solutions

One of the major problems in estate planning is the making of adequate provision for future liabilities. Several ways are available to provide the cash required to meet the estate mortgage and depreciation factors.

Sale of Estate Assets. Regardless of whether the estate owner takes action concerning estate shrinkage problems, one fact is certain. Upon his death, estate debts, claims, and taxes must be paid. If no other solution can be found by the personal representative or the beneficiaries, estate assets will have to be sold. In the majority of estates this will lead to maximum shrinkage of estate assets, since under these circumstances there can be little or no control over the depreciation factor.

Secured Loan. This procedure assumes, of course, that the estate has assets that can be mortaged to obtain a loan of sufficient size to meet the estate cash needs. This assumption is a precarious one, because the time of death is fortuitous and, in the normal estate, assets and equities in assets constantly change. There is usually truth in the saying that "a loan is one of the hardest things in the world to get when you need money." Even if the loan is obtainable, the cost is ordinarily commensurate with that of selling estate assets, for what is saved by avoiding forced liquidation is dissipated by interest charges.

Sinking Fund. This procedure is consistent with accepted planning principles; at least it is an attempt on the part of the estate owner to create a fund during his lifetime to meet estate obligations created by his death and thus, as far as is possible, to pass the estate intact to his heirs. Numerous problems, however, arise in the creation of a sinking fund, some of which are the risk of insufficient time to create an adequate fund prior to death, choice of liquid securities for investment that will not show loss because of market fluctuations, miscalculation of fund earnings, the impact of income taxes on the fund, and the difficulty of forcing the individual to make regular fund deposits. Normally, these adverse factors make the sinking fund unattractive as a practical solution; furthermore, since the fund must be in cash or cash equivalents, it is inconsistent with the type of investment needed to foster estate growth.

Escrow Account. This type of fund is set up by the deposit of cash to pay estate cash needs as each asset is added to the estate. Creating and keeping a cash escrow fund may sound attractive, but it is not a realistic answer to the problem. As has been previously mentioned, continued investment and reinvestment of cash in assets providing utility, that is, an investment that will produce income for the estate, is essential to estate growth; to employ this method would of necessity limit growth. In addition, most estate owners will not discipline themselves so that the proper cash deposit is made. Finally, this method does not reduce estate shrinkage but merely recognizes it as inevitable and sets aside a portion of the estate in advance to be used for this purpose. A portion of the depreciation factor, however, is offset by this method, since forced sale of estate assets is eliminated.

Life Insurance. The most economical solution of the problem of meeting estate mortgage and depreciation factors is the use of life insurance. In comparison with all other solutions, the life insurance plan is ideal, for it has none of the objectionable features attributable to other methods. The very death that creates administration costs, gives rise to succession taxes, matures debts, forces the sale of estate assets, and destroys managerial ability also creates the cash fund needed to offset these estate mortgage and depreciation factors.

Utilization of Insurance in Disposition of Business Interests

When the estate owner's attention is focused upon any one asset in his estate, a decision to sell it or to retain it for the beneficiaries must be made. The decision is influenced by various factors, some sentimental and some economical. The sensible standards to use are the utility of the asset and the probable ability of the eventual beneficiary to manage it at optimum productivity. The complexity of the problem is increased when the asset is a business interest.

Once the decision is made, the problem of estate liquidity again arises, particularly when the interest constitutes a major portion of the estate. If the interest is retained, that is, a gift is made, sufficient cash must replace its value to the estate. If a sale is intended, the purchaser desired by the testator may not have the cash required by the estate. Thus in either instance the estate owner's desires can best be effectuated by providing through life insurance the means of financing the transfer.

The interest will fall into one or more of the following broad classifications: the sole proprietorship, the partnership, or the corporation.

The Sole Proprietorship

Life insurance can be used to advantage in several procedures in the event of the death of the sole proprietor. Two of these are discussed below.

Liquidation. When the estate owner or his family does not want the business retained after his death, liquidation is forced; the inevitable result will be that the proceeds from the sale are considerably less than the fair market value of the business. The best method of offsetting this loss is for the estate owner to purchase enough insurance on his life so that the difference between the amount realized upon liquidation and the fair market value of the business is replaced in the estate by the life insurance proceeds.

Sale to Competent Employees or Heirs. Rather than have a forced liquidation at death, the sole proprietor can enter into an agreement with one or more of his employees or heirs whereby he agrees that the business shall be sold at his death and the employees or heirs agree to buy it at a mutually agreed upon price. The best method of funding the agreement is for the employees or heirs to purchase insurance on the life of the proprietor in a sufficient amount to finance the obligation. It is suggested that the life insurance policies be placed in the hands of a trustee. The trust device is extremely valuable because it guarantees that the terms of the agreement will be carried out; creditors of the purchasers will not be able to attach the insurance proceeds; neither the estate nor the purchasers have any advantage; and the estate will be assured of cash for the business within a very short time.

The Partnership

When the estate owner has an interest in a partnership there is available a very effective procedure to provide estate liquidity. In Florida a partnership must be liquidated upon the death of a partner unless a valid agreement to the contrary is in existence at the time of death.[1] The most effective means of providing for the continuation

[1]FLA. STAT. §733.37 (1955).

of partnership business without interruption is for the partners to enter into an agreement whereby the survivors agree to buy a decedent partner's interest at a mutually agreed upon price. The most economical method of funding such an agreement is by the use of life insurance. Each partner should buy enough insurance upon the lives of the other partners to fund his obligation to purchase unless there are so many partners that this criss-cross method proves unwieldy. A disinterested trustee should receive the proceeds of the life insurance upon the death of a partner and carry out the terms of the agreement, for the same reasons stated in the sole proprietorship discussion. The partnership agreement should be executed not only by the partners but also by their wives, so that they too will be bound by the agreement. If the partnership owns real property the wives should release in the agreement any claim to dower, thus eliminating delay in transfer of the partnership assets. By this procedure immediate cash is supplied to the estate, since the buy and sell agreement or trust agreement should provide for payment of the insurance proceeds to the decedent's estate for his interest in the partnership.

The Close Corporation

Section 303 of the Internal Revenue Code of 1954 is a relief section specifically included to relieve the extreme pressure brought against estates when the bulk of the assets consists of close corporation stock. This section allows the purchase of a partial stock interest from the estate without the partial purchase being considered a constructive dividend. It contains limitations to the effect that a partial purchase of the decedent's stock cannot exceed the succession taxes paid, the actual administration costs, and funeral expenses. Its application is subject to the following tests:

(1) The value of the decedent's stock shares for estate tax purposes in a single corporation must exceed either thirty-five per cent of his gross estate or fifty per cent of his taxable estate.

(2) If the decedent owned stock in two or more corporations and the estate contains more than seventy-five per cent of all shares of stock in each corporation, the combined values of his corporate interests can be used to meet the test set forth in (1) above.

A corporation may purchase key man insurance on the life of a particular stockholder, naming itself as beneficiary and taking the contracts as corporate assets. At the death of the stockholder the proceeds become an addition to corporate surplus, free of corporate tax.[2] When the funds are used to purchase the stock of the deceased, the book value of the corporation's assets will remain unchanged if the amount paid the estate equals the value of the stock purchased.

When the estate owner has an interest in one or more close corporations and desires that his entire stock interest in these corporations be sold at his death, a stock purchase or stock retirement agreement, as the case may warrant, is recommended. In the case of a stock purchase agreement, the stockholders enter into an agreement among themselves to purchase the stock of the deceased stockholder at his death. In a stock retirement agreement the stockholder contracts with the corporation for the purchase of his stock at his death.

In order to make reliable any system of purchase the method of financing the purchase should be well defined. As in the case of estate shrinkage, there are several methods available. Again the most economical and the only guaranteed method is the life insurance plan. It is suggested that the funding of these types of agreements be handled when possible as follows:

(1) *Stock Purchase Agreement.* Each stockholder purchases insurance on the life of each other stockholder. Upon the death of a stockholder the proceeds will be received by the owners of the insurance, who in turn will use the proceeds to purchase the interest of the decedent.

(2) *Stock Retirement Agreement.* The corporation purchases insurance on the life of each stockholder. At the death of a stockholder the proceeds are received as a tax-free addition to surplus and then paid to the legal representative of the estate of the deceased stockholder. Insurance proceeds are important here because in most jurisdictions a corporation can buy its own stock only out of surplus.

Under either of these procedures a disinterested party should be obtained to serve as trustee to receive the proceeds and handle the transaction.

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[2]INT. REV. CODE OF 1954, §101 (a) (1).

LIFE INSURANCE PLANS IN DETAIL

Life insurance proceeds, when used as a procedure to offset or eliminate the estate liquidity problem, come into being by reason of the insured's death. After the first premium has been paid, enough cash is immediately made available to solve the estate needs without resort to any of the other estate assets. In answer to the argument that the need for estate cash is better solved by borrowing and using future estate income to pay off the debt, it is pointed out that when such a loan is made either the estate or the beneficiaries must pay the annual interest on the loan plus the capital amount that is borrowed. When any capital amounts amortized are to be paid from income, they must be paid from net income after income taxes rather than from gross income. Thus the beneficiaries will suffer from a substantial income reduction. If life insurance is purchased to supply estate cash needs, the annual net ordinary life premiums will be less, at least when the insured is under age sixty, than the annual interest payable on a like amount obtained by a loan. Also, upon death the capital amount or proceeds automatically become available, with no repayment necessary. Admittedly, annual interest on the amount borrowed to pay debts is a deduction for income tax purposes and the amount of the annual premium on life insurance is not; but the amortization of the capital amount is against income that will be materially reduced in most cases, since the death of the estate owner eliminates his salary from the family income. It is thus more practical to pay for premiums during the life of the estate owner — from a considerably higher income.

If life insurance is used to solve the estate liquidity problem, the manner in which premiums are to be paid, the names of the beneficiaries, the ownership of the contract, the types of settlement agreements that can be used, and the kinds of so-called fringe benefits that can be included become very important to the estate owner.

Methods of Premium Payment When Owned by the Insured

The premiums for insurance owned by the insured may be paid by him either from current income or from his estate capital assets. Even if the latter source is used, upon receipt of the proceeds at the death of the estate owner there will be an income tax free return of a profit, varying according to the amount of the premiums paid as compared with the amount of the proceeds of the policy.[3] In the event the estate owner lives out his normal life expectancy, almost all of the estate capital transferred will be available to him in the form of cash values and dividend accumulations in the life insurance policy.

Choice of Beneficiaries

If the life insurance method is to operate with utmost effectiveness, it is very important that it be so arranged that at the death of the estate owner the funds will be available for the purposes for which it was purchased. For this reason careful attention should be given to proper beneficiary arrangements. If the wife or the children of the estate owner are the beneficiaries, they can lend money to the estate and thus provide funds for estate cash needs. They can also arrange through the executor to purchase estate assets. Both of these methods can be very effective. If the wife owns the insurance, she must receive the proceeds as beneficiary in order to avoid gift tax complications. The proceeds, payable in a lump sum to her, will be income tax free;[4] and she can deal directly with the administrator or executor, either purchasing assets from or lending money to the estate. If the assets of the estate are of such a nature that they are a poor investment, she may keep the insurance proceeds and let the estate dispose of its assets.

In the event of the wife's death prior to that of the estate owner, it is imperative that she have a will in existence providing that any insurance policies owned by her on his life pass to the children or to beneficiaries other than the estate owner. If she dies intestate a portion or all of the life insurance on the husband will pass to him, and all estate tax advantage to his estate is lost. Regardless of the parties to whom the wife wishes to appoint the insurance, she must instruct her executor to transfer the insurance to the objects of her bounty and authorize the payment of premiums during the administration period prior to actual transfer.

In some instances it is advantageous for the wife of the estate owner to transfer the insurance that she owns on his life into a testamentary trust, empowering the trustee to use the proceeds when they mature in the same manner in which she would or could have used

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[3]*Ibid.*
[4]*Ibid.*

them had she been alive. Provision must be made for the trustee to pay the premiums under this testamentary trust. If minor children own the insurance on the father's life, it is best to place the policies in a trust that will qualify for the standard gift deduction under Section 2503 (c) of the Internal Revenue Code of 1954.

The estate owner may transfer his life insurance into an inter vivos trust, directing that the trustee buy assets from or lend money to the insured's estate after his death and that the assets be transferred to named beneficiaries. This type of trust is of particular importance to estates administered in Florida. In this state if the decedent owns insurance payable to his estate or personal representative and he is survived by a spouse and children, the proceeds inure in equal shares to the spouse and children unless there is a contrary provision in his will.[5] In view of this statute, if the insured desires to have life insurance proceeds used to defray the debts, claims, and taxes of his estate, the one sure method of accomplishing his objective is the use of an inter vivos unfunded or funded life insurance trust. Such a trust, however, is includible in the insured's estate for estate tax purposes.

If an estate owner makes an outright gift of a life insurance policy into an inter vivos irrevocable trust and then transfers income-producing assets into the trust to provide for payment of the premiums, the income from these assets will be considered taxable income to the settlor even though a complete gift has been made by the insured to others;[6] the trust corpus will not be part of the grantor's estate for estate tax purposes.

Choice of Owner

When the insured possesses any or all of the incidents of ownership of insurance on his life, the proceeds will be considered part of his estate for estate tax purposes.[7] If the wife, children, or someone other than the insured possesses the incidents of ownership of the insurance, however, the proceeds will not be part of the insured's estate. Prior to the elimination of the premium payment test by the Internal Revenue Code of 1954, it was seldom possible to take advantage of this fact. Now, as long as no interest or incident of ownership is possessed by

[5]FLA. STAT. §222.13 (1955).
[6]INT. REV. CODE OF 1954 §677 (a) (3).
[7]INT. REV. CODE OF 1954, §2042.

the insured, it is possible to save a substantial amount of estate tax by having his wife or children own the insurance on his life.

Settlement Options

In those estates in which life insurance is used as an investment medium to supplement the beneficiaries' income, comparatively little thought is given to proper use of settlement options. Settlement options, though extremely valuable, can be completely inflexible; if they are to be used great care must be made in the selection. For the most part, neither the estate owners nor their attorneys and accountants are thoroughly familiar with the options available. In addition, life insurance agents generally recommend settlement options without regard to the size or the characteristics of other estate assets or the capabilities, present or future, of the beneficiaries.

Much has been written about proper use of the life insurance contract in estate planning. In this regard emphasis has generally been placed on the cash sums required to pay estate transfer costs. Needless to say, cash demands are a critical factor that requires considerable thought. Nevertheless, the provisions in the life insurance policy that are impossible to duplicate in any other investment medium – the settlement options – should not be overlooked.

The effective estate planner studies not only the character of the property involved but also the personalities of the potential heirs and beneficiaries. There are numerous instances in which the ultimate effectiveness of payment of insurance proceeds under one of the settlement options can be achieved only by consideration of the personality factors existent in the beneficiaries.

There are five basic modes of payment of a life insurance policy: cash, interest option, income for a fixed period, income of a fixed amount, and income for a stipulated period of time and life thereafter.

Cash. Here the face amount of the policy is paid in a single lump sum. Unfortunately, this method is not adaptable to supplying actual cash demands as they arise, since the beneficiaries frequently make unwise investments or otherwise dissipate the entire amount in a short period of time. By its use the beneficiaries are denied the unique and profitable income-producing qualities of the settlement options.

The Interest Option. By this option the proceeds can be left with the insurance company at a guaranteed rate of interest. The beneficiary may withdraw all or part of the proceeds at any time or elect any other option. Because of its flexibility this option is very popular when a sizable estate is being considered.

The Fixed Period Option. Under this plan the proceeds can be distributed over a fixed period of years, and the interest earnings thereby developed will increase the value of the contract. For example:

Proceeds	$50,000.00
Fixed period	20 years
Monthly income	$ 252.00
Guaranteed total payments	60,480.00

The Fixed Amount Option. Here the proceeds can be distributed at a prescribed monthly amount until the principal, plus the interest earnings, is exhausted. For example:

Proceeds	$50,000.00
Fixed amount	500.00 monthly
Approximate period	9 years, 1 month
Total payments	$54,500.00

Life Income Option. The proceeds can be placed under an option that will guarantee payment of an income for ten, fifteen, or twenty years and for the lifetime of the beneficiary should he or she live beyond the stipulated number of years. For example:

Proceeds	$50,000.00
Age of female beneficiary	60
Stipulated number of years	10
Monthly life income	$ 274.00

Income Tax Considerations. Life insurance proceeds left in the hands of the insurer under a settlement option will produce interest earnings that are taxable as ordinary income under the Internal Revenue Code of 1954;[8] one important exception is that a widow is entitled to an annual exemption of $1,000 against the interest element contained in the installment payments.[9] For example:

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[8]INT. REV. CODE OF 1954, §101 (d).
[9]INT. REV. CODE OF 1954, §101 (d) (1) (B).

$100,000 is left to the widow under the fixed period option for ten years.

Annual installment received	$11,382.00
Annual return of proceeds	10,000.00
Annual interest earned	1,382.00
Widow's annual exemption	1,000.00
Annual taxable interest	382.00

If the proceeds are left under the life income option, the life expectancy of the beneficiary is used in calculating the portion that constitutes interest.

An attempt has been made to point out the benefits gained from analyzing the needs of the heirs and beneficiaries as well as their abilities before forfeiting the settlement options in favor of a cash payment. It is well to remember that insurance paid in cash will lose its identity when the contract is surrendered and thus potentially is subject to the claims of creditors, whereas proceeds payable under one of the options can be held free of such claims until paid. It has been aptly said that when proceeds are paid under a settlement option, the insurance company acts in the capacity of a fiduciary in carrying out the wishes of the deceased.

Miscellaneous Features of Value

Frequently estate plans are developed and considered closed without a thorough examination of the life insurance contracts. Many valuable benefits can be made available to the policy holder or beneficiary by the insurer if he will affirmatively request them.

There is a popular misconception that except for minor details all life insurance policies are essentially the same. Admittedly, they all have a face amount and a named insured, but there the similarity ends. To the experienced insurance analyst each insurance contract has a separate set of characteristics. Each has its peculiar strengths and weaknesses. In order to fairly appraise the insurance portfolio of a particular estate owner, each contract must be scrutinized individually and then all of them studied collectively in light of the estate objectives. Only then can proper recommendations be made. Whether the insurance contracts can be co-ordinated for the maximum benefit of the estate owner will depend to some extent upon the companies with which he is insured and to an even greater extent upon the knowledge and ability of the insurance analyst. Following is a brief resume of some of the less technical clauses that should be operative if the insurance estate is well co-ordinated.

Dividends. Dividends payable under life insurance contracts are unique in that they may be used in any one of four different ways. They may be received in cash payments as they arise, applied to reduce premiums, accumulated at interest, or applied toward purchase of paid-up additions.

There are instances in which each of these methods of payment would be appropriate. When dire need for cash is anticipated, however, it is highly recommended that consideration be given to use of the paid-up addition method. Under this procedure, each year as the dividends become payable they are automatically used to purchase units of paid-up life insurance of the same type as the basic policy. In the event of death, more benefits are available than would be under any other dividend method. Should cash be needed for emergencies, the paid-up additions have cash values closely corresponding to the funds that would be available under the dividend accumulation method.

Automatic Premium Loan. An extremely valuable feature that normally can be added to any permanent form of life insurance contract is the automatic premium loan provision. If at any time the grace period for premium payment should reach expiration without the premium being received, the insurance company is empowered by this clause to automatically borrow from the cash value of the policy an amount necessary to pay the premium. The operation of this clause, which is available without charge to the insured, has prevented the unintentional lapsing of untold millions of dollars of insurance protection.

Spendthrift Clause. In the past the plans of many estate owners have been disrupted by the attempts of creditors of the beneficiaries of life insurance policies to attach the proceeds for settlement of debt. In jurisdictions that recognize the spendthrift trust this possibility can be eliminated by the inclusion in each policy of a spendthrift clause providing that the beneficiaries cannot assign or anticipate the proceeds or subject them to the claims of their creditors.

Common Catastrophe. In the event of a disaster in which death takes not only the insured but also the primary beneficiary, serious and expensive estate complications can arise. Under the usual beneficiary arrangement the life insurance proceeds are paid to the beneficiary if he or she is alive at the time of the insured's death. This will occur even if the beneficiary dies a moment later. To avoid entanglement of the proceeds of the insured's policies in the estate of the primary beneficiary, a common disaster clause can be included providing that in such event the proceeds will inure to the benefit of a secondary beneficiary.

Waiver of Premium Disability Clause. A valuable inclusion can be made in many life insurance contracts by the addition of this relatively inexpensive clause. In the event of total and permanent disability this clause becomes operative, relieving the insured from what may be the burdensome obligation of paying premiums.

Double Indemnity. Should an insured die from accidental causes within the terms of a double indemnity agreement, additional proceeds equal to the face amount of the policy will be paid by the insurer. The cost of adding this protection is very small; however, a careful analysis of each insurance company's double indemnity clause is suggested. Many companies are still using a very limited clause that seemingly contains more exclusions than inclusions. For example, some contracts condition payment of double indemnity upon death occurring on a scheduled air line.

CONCLUSION

This article has not been written as an exhaustive treatment of the use of life insurance in estate planning. Since transfer costs are high and most estates, because of the income tax import, consist largely of nonliquid assets, major emphasis has been placed upon the estate liquidity problem. The problem is universal and applies to estates of all sizes. A decedent's estate that has no liquidity problem is most rare and probably is merely illustrative of the maxim that the exception proves the rule. Another related area not discussed is the use of life insurance in the preservation of estate assets. The general procedure is to supply enough insurance proceeds to the estate to avoid sale of a particular asset that has utility or to help a business interest over the period of readjustment caused by the estate owner's death.

The role of life insurance does not end, however, with the simple provision of adequate funds for efficient estate transfer. Regardless of the estate's condition at the time of transfer to the heirs, there is always the possibility that poor judgment, ineffective handling, or depression may cause disintegration of assets. Leaving part of insurance proceeds under the valuable settlement options can assure the estate owner that his heirs will always have an adequate income, that his children will have the benefits of education, and that an emergency fund will be available. The proper use of employee benefit plans when business interests are part of the estate can mean the addition of benefits to the estate owner and his family on the most economical basis attainable. Proper inclusion of pension planning when applicable can mean great financial benefit to the estate owner. The use of corporate key man insurance can mean effective business continuation for the wife and children of the estate owner.

As time passes the close co-operative efforts of attorney, accountant, and insurance adviser will develop to maturity the use of life insurance in estate planning. It is evident that present methods will be improved upon to make this work even more valuable.

HAMMER, THE ROLE OF LIFE INSURANCE

TABLE OF HEADINGS AND SUBHEADINGS