

# Estate Equalization

from Midland National<sup>®</sup> Life Insurance Company

## Is a good portion of your estate tied up in a family business?

It's not easy to split up the estate among heirs. Especially if some kids are involved in the business and others are not. Leaving the business only to the participating child may be seen as unfair, but leaving equal shares can cause other issues.

### Potential conflicts include:

- Participating child may be resentful of non-participants receiving proceeds
- Non-participants may question business decisions (i.e. payroll is eating into my share!)
- A portion of the business may need to be sold to buy out non-participating siblings



## Creating an equitable distribution

A popular method of estate planning is to use a permanent life insurance policy. Parents can purchase a policy on themselves and the death benefit could be left to the non-participating child. Rebalancing the estate using life insurance can help the business stay in the family and maybe even help the kids get along!



Another alternative is for the heir who does participate in the business to purchase a policy on the parents. Often the price of premiums compares favorably with what it would cost later in interest and loan payments to buy out a sibling's portion of the business. Instead, as beneficiary of the policy, the heir can use the death benefit to buy out siblings.

Life insurance policies have terms under which the policy may be continued in force or discontinued. Permanent life insurance requires monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the cash value of the policy. Current cost of insurance rates and interest rates are not guaranteed. Therefore, the planned periodic premium may not be sufficient to carry the contract to maturity. Please refer to the customized illustration provided by your agent for additional detail. The policy's death benefit is paid upon the death of the insured. The policy does not continue to accumulate cash value and excess interest after the insured's death. For costs and complete details, call or write Midland National Life Insurance Company, One Sammons Plaza, Sioux Falls, SD 57193. Telephone: 800-923-3223.

Estate planning is a complex process and should be done in collaboration with other professionals. An in-depth analysis of your assets should be performed to determine which planning opportunities can best benefit the estate.

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