



The Value of Life Insurance if Trump Repeals the Federal Estate Tax

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In the time period right after an election, it is important to pay careful attention to potential policy and law changes that may impact personal and financial matters, especially when there is a dramatic shift in presidential regime priorities, as there appears to be between the Obama and Trump administrations. According to his plans, President Elect Trump intends to repeal the estate tax. Historically, certain tools have been instrumental in providing resources to fund the estate tax, one of which is life insurance. The possibility of eliminating the estate tax has left some people wondering whether their life insurance policies will still be a necessity under the Trump Administration. Here are a few things to consider before making any hasty cancellation decisions.

- 1. If the federal estate tax is repealed, that does not necessarily mean that the individual states will also repeal their estate tax.** If Trump carries out his plans, Americans may not have to pay federal estate tax, but might still be responsible for estate tax in their own state, and possibly other states if property is owned there.
- 2. Even if it's repealed, a future administration can bring it back.** Years in the future, the federal estate tax may be reevaluated and reinstated. Along those lines...
- 3. Canceling insurance today and reinstating it or reapplying for coverage at a later time may be more complicated.** Deciding years from now to reapply for life insurance may be a bit more challenging since the applicant would be older and could potentially have new health issues or risks. Therefore, the applicant may not be eligible for the same insurance they previously held, or would likely have to pay a higher rate for that coverage.
- 4. If there is no estate tax, there may still be a capital gains tax at death.** If the assets in a person's portfolio have appreciated over his/her life, a possible scenario would be the government's viewing death as the time of a deemed sale of these assets and could assess capital gains tax at death based on the mark to market value.
- 5. Sometimes, life insurance is just a good investment.** Many people find that when they measure the return on investment of a life insurance policy, it is competitive with other investments in their portfolio. For this reason, some people look at life insurance as an alternative asset class.

Assessing the impact of tax law changes as they evolve and developing appropriate strategies is essential. For more information or to discuss your planning options, consult your trusted advisor, Anchin relationship partner or Richard Baum, a Partner in Anchin's Private Client Group at 212.840.3456 or info@anchin.com.



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