



## Estate Preservation 101



# Did you know...

Previous changes in tax law created a number of excellent savings opportunities and potential tax advantages. With these changes, estate, gift and generation-skipping taxes are currently being reduced (with an increase in the federal estate tax exemption to \$1.5 million in 2005). One provision states that in 2010, the federal estate tax will be repealed, although as the law currently stands, this repeal will be temporary.

### What does this mean to me?

The intent of these changes is to allow you the ability to leave more to your heirs on an estate tax-free basis in the event of your death. You may currently think that you're going to be able to leave most of your assets to your loved ones, and taxes won't be an issue - but are you really sure?

You can preserve the value of your estate. Farm Bureau Financial Services provides the following information in an effort to help you do just that. We hope you find this helpful.

### What is an estate preservation strategy and why should you have one?

One primary purpose of building an estate is to enable you to leave some kind of 'wealth' to your family after your death. An estate preservation strategy provides for the distribution of your assets, including your property and investments, and is designed to help secure your family's financial future in the event of your death. Transferring an estate can involve substantial problems and costs - your heirs may be forced to sell cherished family assets or borrow money to pay settlement costs and taxes. Without proper preparation, the IRS could become the biggest beneficiary of your estate!

## Creating an estate preservation strategy can help you:

- Develop ways to reduce your estate taxes and costs.
- Distribute assets fairly among your children who are active in the family business and your children who are not.
- Share your success with your spouse, family and favorite charities. You can decide who will inherit which assets and when they will receive them.
- Prepare for adequate liquidity of your assets to pay for settlement costs and taxes.

## Where do you go from here?

Discuss your situation with individuals that may include your attorney, accountant, banker, charitable gift adviser and/or your insurance agent. Your estate preservation team will be able to help you determine what products and services will best fit your situation, such as:

- Life insurance – Death benefit can pass income tax-free to your beneficiary(s)
- Individual Retirement Accounts (IRAs) – Compounded earnings grow on a tax-deferred basis. New distribution rules make it easier to leave more for your heirs. You can contribute up to \$4,000 to an IRA in 2006 (\$5,000 for those age 50 and older.)
- Mutual funds – Can assist you in building your estate
- Umbrella/Excess liability insurance – Provides protection for liability lawsuits during your lifetime that could be financially devastating, thereby diminishing the value of your estate

## Glossary of Terms

**Estate-** The assets and liabilities left by a person at death

**Estate Tax-** Percentage of an estate that is levied on a property owner for transferring the property to others after his or her death - payable to the federal government.

**Assets-** The entire property of a person, association, corporation, or estate applicable or subject to the payment of debts.

**Liabilities-** Money owed or expected to be owed; debts.

**Executor-** The person or entity specified in a will who is responsible for the handling of an individual's will and the settlement of an estate.

**Liquidity-** The ability to convert assets into cash.

**Probate-** The process of paying debts, taxes, expenses and disposing of property in accordance with one's will and state laws.



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