

Paying the Estate Tax Bill

How Can the Estate Tax Bill Be Paid?

The federal government will not accept a percentage of your estate as payment for your estate tax bill. Instead, your estate tax bill must be paid in cash, and it must be paid within nine months after your death.

There are **FOUR ways** to provide your estate with the cash needed to pay your estate tax bill:

1. 100% Method

You could accumulate enough cash in your estate to pay your estate tax bill outright. Rarely, however, does a successful person accumulate such large sums of cash. Instead, the reason for financial success is usually due to the investment of cash in appreciating assets, rather than accumulating it in a bank.

2. 100% Plus Method

Your estate could borrow the cash needed to pay your estate tax bill. This, however, only defers the problem, since the money will then have to be repaid with interest.

3. Asset Liquidation Method

Your estate could liquidate sufficient assets to pay your estate tax bill. This choice may make sense if your estate owns considerable assets that can be readily sold for a gain following your death. Keep in mind, however, that if a forced liquidation is necessary, it may bring only a small fraction of the true value of your assets. In addition, sales expenses are bound to be incurred.

4. Discount Method

Assuming you qualify, you can arrange now to pay your estate tax bill with life insurance dollars. For every dollar your estate needs, you can give an insurance company from approximately one to seven cents a year, depending on your age and health. No matter how long you live, it is unlikely you will ever give the insurance company more than 100 cents on the dollar. In addition, the life insurance policy can frequently be structured to accommodate your unique premium payment requirements.