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3 Ways to Increase the Value of your Financial Legacy



By Rich Groff



After a lifetime of accumulating money, it's common to start thinking about your legacy and what you want to leave to your children, grandchildren or a favorite charitable cause.

But despite the dollar signs you see on your investment and bank accounts, there's no guarantee your loved ones or your chosen charity will get the full amount. Uncle Sam can be lurking to snatch a sizable share and/or even estate settlement costs in the form of the probate process.

It's important to plan carefully if you want to make sure that as much of your money as possible goes to the people or organizations you choose. It's very easy for someone to think they've covered all the bases when in reality there are potential pitfalls they didn't know about or didn't count on. The good news is that there are plenty of options people can consider that will allow them to leverage those gifts so that the person or organization receiving them gets the maximum amount possible.


A few options to consider:


- Leverage your IRA to increase your legacy. When you leave a traditional IRA to your loved ones, they pay a hefty tax. But there are ways to eliminate or at least mitigate, the tax bill. For example, you could use some of the IRA money to buy a survivorship life insurance policy that would pay enough to your beneficiaries to offset the amount of the taxes. There are additional ways to eliminate the taxes, give to charity and still increase what your loved ones receive.
- Make a charity your life insurance beneficiary. People usually think of naming a spouse or a child as the beneficiary on a life insurance policy, but the money doesn't have to go to an individual. You can direct that the policy is paid to a charity instead. The main downside to this approach is that there's no income tax advantage for you.
- Donate your life insurance policy. This strategy does come with some tax advantages. Giving a life insurance policy to a charity as a gift can provide an income tax deduction now, and can significantly reduce the taxable estate of the person who made the donation when that person dies. The charity, meanwhile, receives the full face of the policy.

Most people know who they want to benefit from their financial legacy but they often times don't know how to make it happen as well as maximize or leverage it. If they lay out all their wishes to their financial professional then he or she should be able to help them come up with a plan that will meet their legacy goals.

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