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## Second-to-die insurance can save your estate tons in taxes

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Second-to-die life insurance policies are popular investments for people who want to create cash to pay estate taxes.

The plans pay when the surviving spouse dies, and if structured properly, the benefits are kept out of the couple's estate. And quite often, a second-to-die policy is less expensive and easier to obtain than two individual policies. However, with the federal estate tax set to disappear, you may not see the need to prepare for such an expense. But suppose it doesn't go away? Where would your beneficiaries get the cash to cover the taxes?

The federal estate tax exemption for 2004 and 2005 is \$1.5 million and in 2009 \$3.5 million. Then in 2010, the tax goes away. Yet it is scheduled to return to the original 2002 level of \$1 million in 2011. Whether there will be further changes is anyone's guess and has been the subject of much speculation and debate. But do you really want to bet a substantial portion of your estate on the politicians' whims?

If you are concerned about taxes eroding your estate, a small group of insurance companies has introduced an option that may be of interest to you. The estate tax repeal rider will allow you to terminate a policy without paying surrender charges as long as the estate tax is fully repealed in 2010. Thus you keep the protection if the tax remains, or you can get your money back if the tax is abolished, and the insurance is no longer needed.

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