

How To Use Cash Cows To Pay For Estate Taxes



By Ahsan Khan

Once upon a time, a humble dairy farmer and his wife started to **think about estate planning** because they heard (no pun intended) that they might lose a big chunk of their wealth to taxes one day.

So, they called over their Financial Advisor to see what he could do.

You see, the dairy farmers started 40 years ago with very little and just a dream. However, they were disciplined folks who were driven to succeed. With a loan from their bank and a healthy herd of cows, they gradually grew their business and **became relatively wealthy over time.**

The dairy farmers had quite the farm, and overall their net-worth exceeded several million between their land, buildings, equipment and various investments. They also had three married children and a gaggle of grandchildren they adored.

The Financial Advisor explained that **he had an idea that would work!**

He went on to say the idea was simple and was 100% legal too. All that they needed to do was buy life insurance as a way to offset their estate taxes.

The Farmers said they did not need life insurance because they were rich, and on top of that, they always disliked the idea of life insurance.

The financial Advisor did not try to argue with them or explain the most important thing about life insurance. The Advisor knew that most people had no clue that the payout from a life insurance policy is always tax-free! **(That is why it works so well to offset estate taxes)**

The Advisor looked at them with a smile and said nothing. He then pulled out four toy cows from his briefcase and put them on display for the farmer and his wife to see.

The Advisor explained that each cow represented their wealth, one for their land, one for their buildings, one for their RRSPs/RRIFs and one for their Non-Registered investments. He then said that when eventually both of you become angels, and the Tax Man comes to take his portion of taxes, he will butcher two of your cows and take the meat. The farmer and his wife **immediately understood** that all that will be left for their children and grandchildren would be the remaining two cows.

The Advisor went on to say that instead if they take a little bit of milk from each cow, they could easily buy a life insurance policy. He then explained how the **proceeds of the policy would be tax-free**. So, effectively, they would pay with thimbles and save buckets of hard-earned money.

At this point, the Advisor smiled again and said that one of these two scenarios would happen and **“you get to choose which one.”**

The story had a happy ending because the humble, rich and **tax-savvy** dairy farmers decided to use their cash cows to handle the estate planning problem!

If you are not a farmer, don't worry, and regardless of how much your estate adds up to, you can get in touch with us to look at your cash cows and solve this problem for you. **Moove** over Estate Taxes!