FINLEY DAVIS PRIVATE WEALTH

THE ESTATE LIQUIDITY STRESS TEST

Five Questions to Identify Potential Estate Liquidity Gaps

SIGNIFICANT WEALTH DOES NOT ALWAYS MEAN AVAILABLE CASH

Even a well-drafted estate plan can face significant challenges if it hasn't been stress-tested. Taxes, debts, expenses, distributions, and business continuity can force difficult decisions when obligations come due before assets can be converted to cash. Use these questions to test the funding strategy, not just the documents.

01

WHAT CASH IS ACTUALLY AVAILABLE?

Identify liquid assets accessible to the estate or appropriate parties, and distinguish them from wealth tied up in businesses, real estate, or restricted holdings.

02

WHEN WILL CASH BE NEEDED?

Map anticipated taxes, debts, administration costs, operating needs, and distributions against realistic timelines and restrictions on accessing assets.

03

WHAT GETS SOLD IF THERE IS A SHORTFALL?

Determine whether the plan could force the sale of a family business, real estate, or concentrated investment position and consider who bears the consequences.

04

HAVE FUNDING OPTIONS BEEN COMPARED?

Evaluate available cash, planned asset sales, borrowing, life insurance, and potential tax-payment relief for suitablility, timing, cost, and limitations.

05

DO THE HEIRS UNDERSTAND THE TRADEOFFS?

Consider whether differences in asset liquidity, decisions about what to sell, or conflicting expectations could create friction among beneficiaries.

DON'T WAIT FOR A LIQUIDITY CHALLENGE TO REVEAL A GAP IN THE PLAN.

Let's review the liquidity strategy together.

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