

LIFE INSURANCE
ISN'T FOR YOU,
IT'S FOR THEM



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THERE IS NO SUBSTITUTE FOR LIFE INSURANCE

Why should it be a part of every financial plan?

Whether our passing or the passing of a loved one is anticipated or unexpected, a Life Insurance policy is necessary. This type of asset vehicle provides families and businesses with the effective means to distribute a death benefit and ensure the individual's legacy continues. This financial tool can be tax-free if designed properly, often providing beneficiaries peace of mind during difficult times.

Let's first dive into the various types of life insurance.

TERM INSURANCE

Insurance for a specified number of years (10, 15, 20 or 30 are most common) with level guaranteed premiums for that same duration. Typically, this is the least expensive form of Life Insurance, and it has no cash value component.

UNIVERSAL LIFE INSURANCE

Flexible premium permanent coverage that is designed to provide a death benefit for your lifetime. It has a cash value component that is used to keep premiums level throughout your life. You can also access the cash value if needed in retirement. In a Fixed UL, the cash value grows by an interest rate determined by the carrier. In an Index UL, the cash value grows according to the performance of the selected index account that typically has a floor and a cap. In a Variable UL*, the cash value grows according to the performance of the selected market funds, and there is no floor or cap.

WHOLE LIFE INSURANCE

Level premium, permanent coverage insurance that has a guaranteed death benefit if premiums are paid on time. Whole life also has a cash value component and typically grows at a rate determined by the carrier and their declared dividend rate. Whole Life is the most expensive type of life insurance due to the guarantees it provides.**

Life Insurance and its unique benefits are utilized to protect what a family or business has built. It can also provide financial assistance to sure up loose ends or promises that were made prior to the passing. It's a leading tool in the financial planning space to accomplish numerous goals including but not limited to:

✓ **Income Replacement for a Family**

EX: A married couple experiences tragedy when one of the partners unexpectedly passes away. The Life Insurance policy enables the living partner to quit their job and stay home to parent the youngest child or dependent until the family is ready for them to go back to work.

✓ **Leave a Legacy**

EX: A family desires to monetarily give back, but doesn't want to give up liquid assets while they're still alive in case they need the cash flow for unexpected living expenses. The Life Insurance policy allows them to accomplish this goal without having to part with large sums until their passing.

✓ **Estate/Tax Planning**

EX: Taxes at death are inevitable. However, a proper Life Insurance policy can ensure taxes get paid without significant legacy sacrifice, such as selling the family vacation home or family business.

✓ **Business Planning**

EX: Life Insurance can provide the money required to ensure a business can continue to run and operate smoothly. This is essential for the new owner(s) to avoid interruptions to daily operations and to equalize the inheritance for all family members.

Life Insurance is not just about a Death Benefit!

The IRS legally allows a few incredibly unique cash value Life Insurance benefits that you should be aware of. Those are as follows:

- Life Insurance cash value can increase tax-deferred inside the policy.
- Life Insurance cash value can be accessed as tax-free income, if designed and maintained as a Non-MEC policy. The IRS allows you to pull out your premium basis first, and then access the gains by taking policy loans. This allows you to leave the gains inside the policy to secure the loan from the carrier.*
- Life Insurance has no contribution limits like IRA's or other qualified plans and also has no income limits to participate like Roth IRAs.
- Life Insurance death benefits are paid income tax-free to beneficiaries if designed and owned properly.
- Required Minimum Distributions (RMDs) aren't applicable at any age during retirement with Life Insurance policies.

In Conclusion...

Asset "location" can be just as important as asset "allocation." The unique tax advantages the IRS affords to Cash Value Life Insurance gives individuals the ability to not just have assets in a taxable or a tax-deferred portfolio. It opens up the possibility of having a tax-free segment of your portfolio (if structured properly as a Non-MEC). Diversification into all three types of policies can be beneficial to a retirement plan by allowing you to better manage your income tax exposure and even the income tax bracket you fall into each year. Over the long haul, if structured properly, Life Insurance gives you corporate bond-like returns with better tax treatment and money market liquidity. It's a powerful fixed-income asset.

Life Insurance used to be thought of as a policy you bought and put in your filing cabinet; never to be thought of again. But due to the powerful benefits Life Insurance provides, both when you die and when you're alive, it's becoming a foundational part of many financial plans for all types of individuals and families.

Contact our office today to schedule a complimentary Life Insurance review!



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- * Accessing cash value may result in surrender fees and charges, may require additional premium payments to maintain coverage, and will reduce the death benefit and policy values. Loans and other policy withdrawals may be taxable under certain circumstances.**
- ** Guarantees are subject to the claims paying ability of the insurer.**
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