



PROFESSIONALLY SPEAKING



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Estate Plan Life Insurance May Die Before You Do

by Independence Financial LLC

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Life Insurance is often used to pay estate taxes and to help maximize the wealth that is passed on to the next generation or to charities. The tax deferred growth, income tax free death benefit, and ability to own the policy outside the estate make life insurance one of the most effective tools available for wealth transfer.

The low interest rate environment we have been experiencing for an extended period is taking its toll on many life insurance policies that were put in place years ago. Most policies rely on a fixed rate of return and in a low interest rate environment they are not able to keep up with the projected rates that were assumed when the policy was put in place. The end result is that many policies will unexpectedly terminate long before the death of the insured. The worst offenders are policies that were written in the 1980s and 1990s. These policies will often require significant additional premium to be added to the contract in order to temporarily

keep them in force. Newer policies often have a "no-lapse" provision what will keep them running regardless of the low interest rates.

We all know that when there has been a significant change in lending rates, a refinance on your mortgage can save many thousands of dollars. Likewise, having your life insurance policies reviewed can be equally as beneficial as mortality tables improve, interest rates change, and more advanced products become available. You can realize substantial benefits from updating your policy.

Policy Audit™ services are designed to provide a thorough review of existing policies in regards to cost, performance, and sustainability. If the insured is in reasonable health, you can typically benefit from a variety of improvements including:

- 1) Substantially increase the death benefit at no additional cost;
- 2) Guaranteed no additional premiums;
- 3) Guaranteed death benefit through age 120;

4) Eliminate any market or investment risk;

5) Eliminate the dependency of unreliable policy dividends.

The Wall Street Journal summed it up well in an article addressing this problem:

"Advice to those using life insurance in an estate plan: Have an attorney check on the health of the plan. And don't be surprised if that person turns the matter over to an independent insurance expert. Policies are complicated enough that an estate planner or attorney may not feel comfortable vetting them."

To learn more about our Policy Audit™ services, contact Michael Scott, CLU, CFP®. Mike is a CERTIFIED FINANCIAL PLANNER™ practitioner with Independence Financial, LLC, an Oshkosh firm for 78 years. (920) 236-6587 or Michael@IndependenceFinancialLLC.com. All life insurance guarantees are based on the claims-paying ability of the issuer. A1JC-0629-11