

Across Generations

Urgent Life Review



By Paul Breslau

BY NATURE, life insurance is linked to multigenerational financial planning for estate and income protection. What immediate actions should you consider to save premium, access cash, and prevent your policy from lapsing? First, let's consider life insurance policies that you already own. For example, an insured person may want to consider selling a life policy to investors for cash. Secondly, you should conduct a bi-annual life insurance review.

Underfunded Insurance

Millions of universal, variable and whole life policies have been written over the years. On a positive note, you might be overlooking the fact that some of these policies have cash value. If your policy is in good shape, cash value can be borrowed. It's one of the first and easiest places for you to access extra money.

Many policies of this type, however, were based on assumptions about interest rates and other factors that are no longer relevant; if they weren't guaranteed, they could be significantly underfunded. Whether you have a business buy-sell or a personal life policy, you may receive a letter stating your policy has no value and asking you to pay a significant premium amount to keep it going.

Instead of waiting for a surprise letter, you should request to review a "Current In-force Ledger as Issued" from the life insurance company. Just contact your agent or find a new local agent knowledgeable in life insurance. The ledger will summarize today's cash value, death benefit, premium, and how long the policy will last at current premiums.

Depending on the results of the ledger, you can keep what you have, change

to a newer no-lapse guarantee universal life policy, change to term insurance, or find other solutions. There are many variables that will determine the cost of your new policy, including how your health status might have changed and your current age. You should work with a trusted and experienced life insurance agent to determine if replacement makes sense.

Lower Term Life Rates

Many other people purchased low-cost, high-face-amount term life insurance for their family protection or business needs. These term policies have no cash value and can't be used for loans. Term life policy owners should still review their current policies to make sure they fit their current needs and provide them with a term that will last through their earning years.

Longer life spans have caused dramatic decreases in term life rates, so there may be an opportunity to increase your coverage or save money if you decide to replace. Also, if your term insurance is split among several life insurance companies, you aren't getting the advantage of volume discounts. Finally, if you purchased a life policy from an insurance company that specializes in investments auto or homeowners, you may not be getting the most competitive rates.

Life Settlement

A viatical, or life insurance, settlement is a method to sell a life policy for money now. People in extremely poor health or with a terminal medical condition don't have to die to collect the money they need to live or to pay

for medical treatments. Viatical settlements can also be for healthy people of advancing age who may not be able to make ends meet. The need for an intergenerational wealth transfer may not be as great as the need for money to live. The viatical industry has had mixed reviews, but a trusted financial counselor or life insurance agent will provide good advice.

Review Everything

All of the above actions have their advantages and dangers. Policy replacements and viatical settlements lend themselves to abuse by unscrupulous agents. Insurance is a highly regulated industry with licensing, replacement laws and other protections in place. Be careful to get expert advice and second opinions.

Finally, how did you arrive at the face amount of insurance you have? Most Americans are underinsured, according to David Harris of Harris Investment Advisors. "There is a simple test of the income replacement value of life insurance," he says. "Compare the face value of life insurance you have to your annual income multiplied by the number of work years you have left. Or use a more comprehensive self-accounting that factors in savings, children's education, loans, etc., to help you more accurately determine recommended life insurance amounts. If you think you might have a significant shortfall, you should seek advice from an experienced life insurance agent." ■

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