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Cash value begins to accumulate when you convert your Term Life insurance to Permanent Life insurance.

Permanent Insurance can be Whole Life or Universal Life.

Pick a carrier with a good record of returns and easy conversion terms.

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Ensuring Your Insurability – From Nancy Curtin, CLTC

In an ideal world we would all have as much Whole Life insurance as we need. However, many of us cannot purchase as much Whole Life as we might like. As we get older the chances of remaining insurable decrease. The risk for all of us is that health issues may arise that can impede insurability.

Whole Life insurance is highly desirable because it has significant advantages such as a permanent death benefit, instant estate creation and estate-tax mitigation. In addition, there are the living benefits of guaranteed cash accumulations, the ability to borrow on a policy, and tax-free growth in many cases.

As an Insurance Planner it is my job to help my clients find solutions that fit their lifestyles and budgets. So, what can be done? I have recently worked on a solution for many clients whereby they purchased as much Whole Life as they could afford at the time, and purchased the rest of their permanent insurance as Convertible Term.

With a conversion plan in place, these clients have established a timeline-based plan to convert the Term insurance to Whole Life, and have purchased either 10 or 20-year Term insurance depending upon age and conversion plan.

The key here is to pick a solid Term carrier with a strong dividend-paying Whole Life product. Look for a good performance record and easy conversion terms. Restrictions in conversion terms should be explained at the time of purchase, so you are clear on the waiting period before converting can begin (usually one year), and the dollar increments of insurance that you can convert.

There is another type of conversion plan that is an excellent choice if you need immediate permanent insurance, have some extra cash to invest, and don't want to worry about converting to permanent insurance.. You can elect to purchase Whole Life with a Term rider. Under this plan, the Term insurance converts automatically to permanent as you continue to pay the pre-determined premiums. So, for example, you can purchase \$250,000 in Whole Life with a custom Term rider of \$250,000 for much less premium than \$500,000 in Whole Life. But as you continue to pay the premiums, the policy will eventually convert to a \$500,000 Whole Life permanent plan.

I also have clients who have purchased large Whole Life policies and additional Term plans who do not intend to convert the Term at any time. They will use their Whole Life policy to build cash value for retirement or to increase the permanent death benefit, and drop the Term after 20 or 30 years.

Another option that is less expensive is to purchase Term Life that is convertible to Universal Life, another form of permanent insurance. Universal Life is always a second choice to Whole Life, but if you need permanent insurance it can work very well. Once again, you should plan as much as possible for your overall life insurance needs at the time of purchase.

Work with your qualified Insurance Planner so you have enough coverage for today and can reap the benefits of permanent life insurance down the line. Review your insurance needs every five years or so, or at the time of a major life event such as divorce, the birth of a child, a job change, or marriage. And remember when it comes to life insurance, having some insurance is better than none.