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Nancy Curtin, CLTC

“One of the strongest arguments for whole life is that the cash value in the policy builds up tax free, which substantially boosts the compounding power of your earnings.”

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www.kiplinger.com

SmartFuture, LLC

331 W. 57 St.
Suite 434
New York, NY 10019

PHONE:
212-767-1500

E-MAIL:
njcurtin@gmail.com

WEB:
www.smartfuture.biz

Life Insurance –Why Is it for You? – From Nancy Curtin, CLTC

As a Long-term Care and Life Planner I find that when I ask people what they have in mind for their long-term financial plans most are overly dependent on market-driven products for their retirement and overall future prosperity. In listening further, I learn that the facts they have been told about life insurance, especially whole life, are usually incorrect or incomplete. Sadly, too many people do not have life insurance because they have never been properly educated on its many benefits or they have just been given bad advice. The number of folks I come across who are either uninsured or vastly underinsured is, quite frankly, very surprising.

The lesson here: **Don't rely on old assumptions.** Most people think of life insurance merely as income protection in the event of a death. I like to help my clients to think about insuring the full value of their lives. The first question I like to ask a client when we get together to talk about their plan for the future is “What are you looking to accomplish?” The bottom line is that everyone's life has a value and everyone should insure that life. There is also an intangible personal satisfaction derived from being insured and insurable. Here are some basic truths about life insurance and some of my recommendations surrounding it.

Whole Life (WL) is considered the gold standard of life insurance. Besides the intrinsic value of estate creation and a guaranteed death benefit as a provision for loved ones, estate taxes or favored charities, whole life has numerous living benefits such as guaranteed cash accumulation, a guaranteed level premium, tax-free and tax-deferred growth, dividends that can be used numerous ways, waiver of premium in the event of disability, loans on the policy, collateral for bank loans and retirement planning. In the event of outliving retirement savings or a terminal illness the policy may be used for immediate cash through a settlement. The cash in your WL policy is also protected from liability judgments.

Universal Life (UL) is a flexible form of permanent insurance. It is less expensive than whole life and has a permanent death benefit and some cash accumulation. One of the advantages of UL is that you can vary the premiums to accommodate potentially varying income levels. The cash in the policy earns interest but does not enjoy the bonus of paid dividends. UL has a guaranteed death benefit and is appropriate for many people who cannot afford WL.

Term Insurance (Term) is a great tool for short-term goals, used most often to cover specific expenses in the event of an early death. I recommend term insurance in some cases to my clients, in addition to the permanent insurance necessary to cover more long-range financial goals. Term can be used to augment your overall plan, and can be a helpful instrument to cover a mortgage or other debts, child-rearing, or the support of an elderly parent. Keep in mind that most term policies are convertible to permanent insurance, and should be done so as soon as you can afford it as rates increase with age.

Besides personal protection, life insurance can be used for myriad business purposes. There are many scenarios, such as buy-sell agreements, key-person insurance, deferred compensation and collateral requirements where life insurance is necessary to protect your business.

The biggest mistake people make is waiting too long to purchase life insurance. A good planner can put together a life insurance plan that covers you financially and emotionally. You will never be at this age and health level again so do it soon before it's too late.