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Permanent insurance is the bedrock of true wealth creation. Combined properly with market-based assets, you can ensure your future as well as the financial well-being of your heirs.

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Understanding The Need For Sufficient Permanent Life Insurance

With the recent passing of my beloved father a very important and under-visited topic emerged – the importance of having enough permanent life insurance. While my dad was an excellent provider I could not help wishing he had taken out more permanent life insurance in order to leave my mom a larger income tax-free inheritance. Dad could not have foreseen the dips the market has taken which reduced their assets, and additional permanent insurance would have helped cover that gap.

Too often, life insurance is improperly explained and many people wind up buying only term life. With term life the focus is on cheaper premiums, and people assume they'll come out ahead by investing the difference. The problem with this theory is twofold: the term expires and your heirs are left with nothing; and the money you invest cannot come close to the guaranteed death benefit you could buy. Add to that market fluctuations and you have a volatile mix. Also, in my experience most folks do not invest the difference. You benefit from the forced savings element of permanent insurance, particularly whole life.

Once you understand the benefits of permanent insurance, particularly whole life, you can plan ahead with confidence. If you currently own term insurance be aware that most term policies can be converted to permanent insurance.

So, what does sufficient permanent life insurance mean? Naturally it's a different amount for each individual and should be based on several considerations. The first is estate tax coverage. The federal exemption for 2009 is \$3.5 million. This will change to zero in 2010, and will be reinstated in 2011 to \$1 million. Congress may soon change these laws so be sure you consult your estate attorney or insurance planner for current updates. State estate taxes are currently in effect in 18 states and the District of Columbia. The New York state exemption is \$1 million for 2009. Keep in mind that life insurance proceeds are almost always income tax-free.

Some other issues to consider: Buy enough coverage for a decent burial. A funeral these days costs about \$12,000. This does not include your burial plot. If not properly planned-for, this can leave your grieving heirs in debt. You also need to leave enough guaranteed inheritance so that your survivors can continue the lifestyle that you built together. I have seen instances of grieving spouses having to sell the family home and make other severe downgrades because of a sudden shortage of money to live on.

Many people also desire to leave a generous legacy to their children or grandchildren. Sufficient permanent life insurance can bolster your heirs' emotional and financial health. Consider too leaving monies to your favored charity so that your good works and legacy live on.

In addition to the guaranteed death benefit that permanent insurance offers, there is cash accumulation with no risk of lost principal. The money grows regardless of market conditions. You can take cash out of your permanent policy if you need extra money for retirement, money for a special vacation, or for a second home purchase. The cash is also protected from creditors. Your permanent insurance plans are an integral piece of your wealth-building strategy.

Call me today. I will review your current policies at no charge, and will help put a plan in motion for you that is right for the present and right for your future.

Sincerely,

Nancy Curtin, CLTC