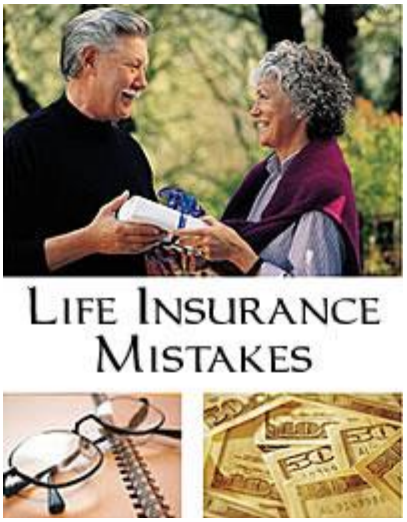
Complimentary Life Insurance Report


LIFE INSURANCE
MISTAKES

Please find your Complimentary Report Below.

Six Costly Life Insurance Mistakes And Some Simple Ways to Help You Avoid Them

MISTAKE #1

Not Getting The Best Deal

Virtually every universal life insurance policy sold in the early 80s was sold while interest rates were high.

Remember back then? CD's and money markets were paying around 15%.

Wow, times have changed huh?

You can't get a deal like that anywhere these days.

Well due to those high interest rates, the growth in sales of universal life insurance products increased dramatically.

Similar to whole life insurance, a universal life insurance policy offers a death benefit that is the amount of life insurance the company is obligated to pay upon the death of the insured, providing **the policy is still in force.**

One advantage to this type of policy is that the insurance generates a cash element usually termed the "cash value."

Most people buy these policies to pay estate taxes or provide money to their family in case of a death.

The policies are good provided one major assumption.

An assumption that may make policy owners very upset.

What we are talking about is the life insurance illustration.

You know. It's the spreadsheet that the life insurance agent showed you when you bought the policy.

He or she may have told you that if you pay a certain premium, this, that and the other happens.

Sound familiar?

Actually, one of the more common things we hear people tell me is, **"My agent told me I only have to pay for something like 10 years and then the policy will pay for itself"**

Well…not exactly.

You see the problem is this.

Let's say the illustration an agent showed back then was based on high interest rates.

Now remember we mentioned that interest rates were around 15% in the early 1980's?

This means that the life insurance agent may have used that high interest rate projection to forecast the policy's future.

They weren't trying to mislead their customers. They were simply projecting the policy's future based on interest rates back then.

Just as they would do in any year.

High interest rates = more money in the future = life insurance lasts forever?

Right?

Well, not really.

We don't have to tell you that interest rates that high are extremely rare.

So years later, after paying the policy premium for 10 years the policy didn't have enough "cash value" because interest rates eventually went lower.

So the problems come about when there is not enough cash value in the policy to cover the ongoing fees, expenses and charges.

This basically means there's a problem.

Your policy may have this problem.

Even if you've purchased your life insurance policy in the 90's or 2000's.

It may still have this problem.

Here's the point.

If interest rates do not perform as originally illustrated by the life insurance agent, additional premiums could be required to maintain the policy.

And if additional premiums are not paid, the policy could expire.

If that happens, you have no more life insurance.

So after all those years of premium payments- **YOUR MONEY IS GONE FOREVER.**

What's your current interest rate?

How long will your policy last?

It could be much lower than the illustrated rate at the time you purchased the policy.

You don't want to be in the situation that we just described.

MISTAKE #2
Paying High Premium Costs

Most insurance companies' mortality and expense charges have declined significantly over the past decade.

Mortality and expense charges are some of the charges that you pay when you own life insurance.

They are based on how long people live.

Generally speaking, the longer people live, the lower your costs are.

So you may have noticed advertisements telling you how life insurance costs are lower than they've ever been.

You know, you've seen them on CNBC or in your local newspaper.

It's true, right now, the costs are some of the lowest they've been in history.

Some of the major factors are increased competition between life insurance carriers and increased life expectancy, resulting in lower premium costs.

Oftentimes this means that you may be able to get the same amount of coverage for a lower cost.

No matter what type of life insurance you own.

Here are the facts:

#1 You may be able to get a lower cost.

#2 You may be able to guarantee the insurance to your life expectancy.

In other words, you may be able to get the same amount of life insurance coverage for a lower cost.

Have you seen the Geico commercials?

You know, the ones with the cavemen.

They're pretty funny huh?

Well Geico is trying to motivate you to contact them so they can give you a quote to compare rates.

Sound familiar?

So how do you go about doing this? You can contact me of course.

Let me tell you what tens of thousands of smart people have been doing over the last few years.

Many people have been "rolling over" or exchanging their life insurance policy for a new policy at a lower cost with a longer guarantee period*.

NOTE: *There are considerable issues that need to be considered before replacing life insurance such as, but not limited to; commissions, fees, expenses, surrender charges, premiums, and new contestability period. There may also be unfavorable tax consequences caused by surrendering an existing policy, such as a potential tax on outstanding policy loans. Please discuss your situation with your financial advisor.

As a result, when it makes financial sense, they are:

-Saving money on their life insurance costs.

-Extending the term of their policy.

The bottom line? **They are getting a better deal.**

Of course they needed be insurable to receive a rollover policy.

Be careful though because sometimes this idea makes sense and sometimes it doesn't.

Early withdrawal penalties could apply and new acquisition costs could apply. A new contestability period also applies.

That's the value of speaking with a professional.

Here's how it works for you if you are technical person.

A life insurance policy exchanged for another in accordance with the provisions of Section 1035 of the Internal Revenue Code can be exchanged on a tax free basis.

In other words, the IRS says you can transfer the money from one policy, tax free, as long as it's transferred directly to the new policy*.

How long are you are required to pay your premium?

How long is your policy guaranteed to last?

Exchanging your life insurance may or may not be beneficial.

Please weigh the pros and cons, which we can help you determine.

MISTAKE #3

OWNING THE LIFE INSURANCE

IN YOUR NAME

Most wealthy retirees who purchase life insurance do so to pay for estate taxes and/or to leave as much as they can for their heirs.

Yet some life insurance owners could lose up to half of their life insurance value and most aren't even aware of this problem.

Let's look at how this happens with an example*.

When Henry was 60, he purchased a $750,000 life insurance policy to pay some of the estate taxes on his $5,000,000 estate. (Note that taxes are paid on the amount that exceeds the annual exemption designated by the IRS).

Henry paid life insurance premiums for many years and did not worry about a thing.

He, like most people put his policy in his file cabinet and forgot about it.

What concern did Henry have?

In his mind, nothing. He just wanted to play golf and visit the grandkids.

He incorrectly believed that as long as he paid his premiums, everything would work out.

Henry incorrectly believed there was no reason to worry.

After all, he thought that the insurance company was strong and thought as long as he paid the annual premiums, everything would work out as planned.

The policy was supposed to pay a lump sum of $750,000 to his family so they could pay his estate taxes.

Henry never gave much thought to what happens to the life insurance policy at his death.

What happened though would shock Henry's family.

When Henry died his family learned that **more estate taxes were due.** The problem arose because Henry never took the time to change the ownership of his policy so it would not be included in his estate.

He mistakenly owned the life insurance policy in his own name.

FOR HENRY THIS WAS A BIG MISTAKE.

You see, according to section 2042 of the Internal Revenue Code, life insurance on a decedent's life (Henry) will be included in his federal gross estate, and thus subject to federal estate tax, if:

...the decedent at the time of his death was either the owner of the life insurance policy or retained certain "incidents of ownership" over the policy – such as the power to change the beneficiary or cancel, assign or pledge the policy, among others – even if held by the decedent in a fiduciary capacity only. (Connecticut Law Tribune, 2004)

Remember, Henry had a net worth of $5,000,000

Since the life insurance was owned in his name, the IRS included the $750,000 value of the life insurance in his estate too.

This meant that when Henry died, he was worth $5,750,000, hence increasing his family's tax bill.

How could Henry have planned his estate properly?

Henry could have eliminated this problem by placing the life insurance policy in a specially designed trust called an Irrevocable Life Insurance Trust (ILIT).

This would have allowed the life insurance to pass estate tax free, thus not increasing his estate tax bill.

If you do not plan properly you could be in the same situation as Henry.

MISTAKE #4

Buying a policy that is NOT guaranteed*

Will Your Policy Expire Unexpectedly?

Remember we told you that your policy could expire, even if you've paid the premium required by the life insurance company.

Is your policy guaranteed* to pay when you die?

It may or may not be. You should check to see if it is (we can show you where to find this information in your policy statement).

Today, many policies have coverage protection guarantees that protect against lapse if you pay the required premium.

DOES YOUR POLICY SAY THIS?

"…the policy will stay in force as long as the cash value is enough to cover the monthly costs. **If the cash value is not sufficient, the policy will lapse."**

If your policy does read like this, we suggest you have it reviewed.

Our current interest rate environment is the lowest in decades.

Since rates have declined the policy your life insurance company might have projected to last through your life expectancy might not.

You may need to pay more premiums because many policies are in danger of lapsing.

As previously discussed, if you own universal life insurance the "staying power" of your policy is primarily dependent on the cash value.

And because of low interest rates, your cash value might have declined, and your policy could be in danger of lapsing.

MISTAKE #5

Life Insurance not being part of the divorce agreement

We know you are familiar with the statistic that says that over 50% of all marriages end in divorce.

And if those statistics are correct, there's a good chance you are.

So what's the potential danger with your life insurance policy?

As you may know, many married couples buy life insurance to cover existing and anticipated debts and financial obligations in case one of them dies.

For example, if your spouse dies tomorrow, the death benefit from the life insurance policy could help pay off the mortgage on your home or send your children to college.

As part of a divorce settlement, the spouse who will be paying alimony and child support has a moral obligation to buy a life insurance policy.

That's because if you were to die tomorrow, your ex-spouse would be left without the alimony and child support that was part of your agreement.

An ex-spouse who receives alimony or child support should beware.

The former spouse at first could agree to buy the insurance, then change the beneficiary or stop paying premiums and lapse the policy.

To solve this potential problem, there should be a stipulation in the divorce agreement requiring the ex-spouse to pay the premiums to keep the insurance in force and not change the beneficiary.

If the ex-spouse violates the agreement, he or she could be found in contempt of court and subject to fines or other penalties.

Better still, the ex-spouse should be the owner of the policy.

We generally recommend the ex-spouse making alimony or child support payments provide confirmation annually to his or her ex-spouse that the insurance policy is still in force and the ex-spouse is still listed as the beneficiary.

If it's a cash value policy (such as universal life insurance) you should get any information about recent transactions in the policy that could impact the death benefit, including loans or partial withdrawals.

This requirement can be part of the divorce agreement.

Remember, however, that since the insurance company is not part of the divorce decree, they will only take instructions from the Policy owner.

MISTAKE #6

Your children own your policy

Many people who own life insurance buy a policy and name their children as the policy owners. They often do this as part of their estate plan.

What they don't realize is that they could be making a tremendous mistake.

This mistake is best explained by giving you an example*.

Dorothy, age 72, bought a $750,000 life insurance policy five years ago.

She wants to leave as much money as possible to her son Richard when she passes away.

Dorothy felt upon her death that Richard could use proceeds from the life insurance policy to help him support his wife Sue and their 3 children.

She felt that he was always there for her and wanted to express her gratitude.

Then one day Richard called his mom and told her that he had bad news. **"Mom, Sue and I are getting a divorce",** he said.

After months of differences, arguments and meetings with his attorney, Richard learned that after 17 years of marriage, Sue was entitled to half of his assets.

The home, the bank accounts, the furniture and yes, half of the life insurance policy (since Richard is the policy owner).

Richard and his mom were extremely upset, especially since mom paid every premium on the life insurance policy for the last 5 years.

The insurance premiums totaled over $15,000, now partially going to her ex-daughter in law, **who she was never fond of in the first place.**

In our personal experience, we've seen many situations like this.

Your children should never own your policy.

If you have a life insurance policy that is owned by your son or daughter, it would make sense for you to find a better solution.

We can assist you with a few solutions that could eliminate this potential

problem.

Find out if you could be making costly financial mistakes.

This could be one of the wisest decisions you will make regarding your financial future.

We are confident we can help you find strategies to avoid mistakes and improve your life insurance situation.

Do you want to know why we are so confident?

Because MOST people are making at least one mistake discussed in this report.

We've met with so many people over the years and found consistent mistakes.

Let's review these 6 common mistakes:

#1 Not getting the best deal- The life insurance illustration may not have worked as projected.

#2 Paying high premium costs- Insurance costs have dropped in recent years.

#3 Owning the policy in your own name- This could cause an estate tax problem.

#4 Buying a policy that is not guaranteed- This could be a huge waste of money for you in the end.

#5 Life Insurance not being part of the divorce agreement- You may never be able to trust your ex again!

#6 Having your children own the policy – If the kids get divorced, watch out!

And these are just the most common mistakes.

You might be making these mistakes and more.