

## Wealth Insights

### The Neglected Asset

Many people are in possession of this and probably pay less attention to it than many of their other significant assets. It is usually worth hundreds of thousands dollars, if not millions. And yet once it is purchased it usually ends up in a file cabinet in the basement. Or maybe it becomes an inmate of the safe deposit vault only to be seen every couple years when you are digging out a birth certificate.

If you guessed we are talking about a life insurance policy, you'd be correct. Investment portfolios and retirement plans get monitored for performance quite frequently, usually with the help of investment advisors. Our home is a valuable investment so it typically is the subject of constant upkeep and repairs. But when was the last time you looked at the life insurance policy and did an analysis and review?

There are many reasons life insurance policies are neglected. The most common reason is the agent who sold it to you is most likely gone, leaving you with no one to help. For whatever reason, what typically happens is the premium notice shows up, it's paid and forgotten about until next year when it's paid again.

Is the policy performing as expected? Have your needs changed? Is the amount of coverage appropriate? Is the policy competitive with what is available on the market today? Who is the beneficiary - is it who you want?

Our Risk Management Division has extensive experience in performing insurance reviews and this service is available to you. Our review looks at ownership and beneficiary designations, future performance projections, needs analysis and more. There is a wide variety of issues that we can uncover in this process. Most common concerns include...

- Beneficiary designation is out of date
- Policy loans are a drag on the policy and could lead to significant problems later
- Policy at risk of lapse
- Amount of coverage does not fit the need

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- Product is inappropriate for the objectives

We also find that there are missed opportunities including...

- Ability to reduce or eliminate premiums
- Better health, improved ratings to lower cost
- Consolidation and simplification of multiple policies
- Product innovations and enhancements

A recent case is a good example of what a review can yield.

Male age 54 had an existing policy with \$109,000 of cash value, still paying a premium and the life insurance benefit was \$400,000. His main objectives for the review was to reduce or eliminate premiums and to explore long term care planning, a new concern as he is now helping care for an ailing mother. The review found that while there were no issues with the existing policy, there certainly existed the opportunity to achieve the two primary objectives. In this case we were able to perform a tax free rollover of the cash value to a new policy. This resulted in a combination policy with life/long term care protection of \$596,000 with no future outlay of premiums. In this case the review concluded a change was warranted to make improvements and utilize a policy design that achieved his objectives.

Many of the policies we review are performing as expected and properly structured to achieve the objectives and goals. No change or modification is required. What is accomplished through the review is peace of mind that this valuable asset is doing what it is intended to do. Life insurance among other things can: keep a family in their home, replace the income of a lost wage earner, help fund college expenses for children and grandchildren, fulfill charitable desires and pay transfer taxes - estate, state and income. That is what your premium is going towards and it is vital that the policy is there when it is needed the most. Please let us know if we can be of assistance in the audit and assessment of your life insurance needs and policies.



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