



# Transferring wealth & wisdom from generation to generation



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## LIFE INSURANCE: WHY YOU SHOULD KEEP YOUR POLICIES IN-FORCE TEN CONSIDERATIONS BEFORE CANCELLING YOUR LIFE INSURANCE POLICY

The Tax Cuts and Jobs Act of 2017 created a tremendous ripple in the life insurance market place. Tax rates went down, the standard deduction almost doubled and the estate and gift tax exemption was temporarily raised to over eleven million per person. Immediately, life insurance policies being sold for estate tax purposes came to a grinding halt ... temporarily. The question that remains is whether Life Insurance still has a very important role in the financial and estate planning arena. The answer is a resounding YES. Why? Because of the tremendous benefits of owning life insurance go far beyond paying estate taxes.

This article will outline the top ten reasons to keep your existing life insurance policies (caveat - if your policy is underperforming - then, that is another story. Have your policies audited by a pro as soon as possible.)

**Reason 10:** Creates liquidity in case your family runs into various life expenses where they would otherwise need to sell other assets in order to pay bills. Example: if you own a business or real estate, liquidation is not going to happen quickly.

**Reason 9:** Creates liquidity to fund the buyout of your shares in a business.

**Reason 8:** Creates liquidity to equalize gifts to children who do not get an equal share of real estate or of an interest in a business, or any other asset that is not easy to sell or split, including tangible personal property like high end jewelry and art.

**Reason 7:** Creates liquidity or wealth replacement for the high costs associated with end of life health care (to preserve assets to care for your heirs).

**Reason 6:** Creates liquidity or wealth replacement for high taxes and expenses of living beyond your anticipated needs. People are living much longer than anticipated; life insurance proceeds are an enormous comfort to your heirs if you need to spend down most of your liquid assets.

**Reason 5:** Cash value of life insurance is protected in bankruptcy in the case of an unforeseen liability not covered by liability insurance. Make sure you discuss an umbrella policy with your P&C agent. Example: your auto or home owners insurance agent.

**Reason 4:** Creates a source of predictable liquidity for wealth replacement for gifts to your favorite charity.

**Reason 3:** Creates liquidity for your heirs in the case you pass and your income from pension, social security or employment ceases or is reduced.

**Reason 2:** Life insurance cash value grows tax-free (Note, most states have a small internal tax - referred to as a DAK tax but, it is extremely small).

**Reason 1:** Life insurance death benefit proceeds are tax-free under the internal revenue code. This is similar to an IRA but, it is distributed without federal income tax. Obviously, an IRA does not have the insurance benefits in case you die nor does it have the internal cost of the risk protection.

After reading this article, if you decide you still do not want to keep your existing policies, then there are wonderful options for the disposition of your life insurance policy. Just a few alternatives are;

1. Sell it to a life settlement company
2. Donate your policy to a charitable organization of your choice
3. Convert your life insurance into a policy that will cover your long-term care costs.

Be very careful to analyze how to get the most out of your existing plan. Life settlement is a nice option, however, ask yourself the following question: Why are the investors behind the life settlement companies willing to pay a premium for your life insurance policies? If they are willing to pay a premium, then of course the policies are valuable, and this may lead you to determine that it is better to keep the policies for yourself.

Please seek the advice of competent financial and legal professionals that are well versed in insurance matters before making your final decision to keep or sell your policies.

Visit [www.probate-florida.com](http://www.probate-florida.com) to read more about this subject and other estate planning matters.

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