advanced sales

29 Reasons To Own Permanent Life Instead of Term

1. To Meet Consumer Preferences - Many consumers want some amount of life insurance in place when they die.

2. To Pay for Final Expenses – Consider $25,000 of final expenses in today's dollars. Using the rule of 72 and a modest 3.5% inflation rate, a 35 year old requires $139,000 for final expenses at age 85. Using a greater rate of inflation and extended mortality, substantially more insurance would be needed to cover final expenses.

3. To Support Children with Special Needs – Supporting children with special needs does not end with their college graduation – it lasts for their lifetime. Life insurance can help meet this need.

4. To Equalize an Estate – A business owner may want to leave the family business to a child-employee without "cutting out" other children who are not in the business. Paying life insurance proceeds to a trust can help equalize the amount each child receives.

5. To Pay Off a Mortgage – Many consumers will not be mortgage-free in retirement. Consider homes purchased at older ages, homes financed to pay for college, refinanced homes and vacation homes. Life insurance can help pay off the mortgage for a surviving spouse.

6. To Replace an Estate – Some consumers may want to spend down assets during their lifetime while leaving a substantial inheritance to their heirs. Life insurance can help replace the assets spent.

7. To Replace the Value of a Home in a Reverse Mortgage – Insureds may want to tap into the equity in their home via a reverse mortgage without eroding their family's inheritance. Independent from the mortgage, clients may seek a life insurance policy to help replace the assets spent.

8. To Provide Cost Recovery for a Dependent Parent or In-Law – The cost of supporting dependent parents or in-laws may be substantial. Owning adequate life insurance on their lives may recover these costs.

9. To Provide Living Benefits – Many of today's permanent policies offer either Long Term Care or Chronic Care Riders* that can provide much needed benefits during the insured's lifetime.

10. To Replace Social Security at Death – Social Security benefits do not pass on to the decedent's surviving children. Life insurance can help ease this potential financial loss.

11. To Supplement Retirement – The cash value of a life insurance policy can make an excellent retirement supplement.

12. To Provide Tax Treatment Diversification – Under current tax regulations, life insurance cash values grow tax-deferred and offer tax-favorable access to that cash value by allowing withdrawals up to the cost basis and borrowing thereafter.

13. To Provide Creditor Protection – Some state statutes protect policy cash values from the claims of creditors.

14. To Provide an Asset That is Not Subject to the Alternative Minimum Tax (AMT) – AMT affects many middle class folks; it is no longer a problem just for the wealthy. Under current tax law, policy cash values and death benefits of individual policies are not subject to the AMT.

15. To Own an Asset That Is Not a Factor in Determining Eligibility for Financial Aid – As a general rule, policy cash value is not a factor used in determining eligibility for financial aid for college.

16. To Provide Insurance to Unhealthy Individuals Owning Soon-To-Expire Convertible Term – Uninsurable or rated clients may own level term policies that are about to expire. Converting these policies before expiration can guarantee continuation of coverage (if the policy provides for conversion rights).

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17. To Mitigate Taxation of Social Security Benefits – Currently, income from policy loans does not impact the income calculation for taxing Social Security benefits.

18. To Replace Income with Respect to a Decedent on Qualified Assets – Tax deferred accounts, such as qualified retirement plans, can trigger an income tax liability to the beneficiaries. Life insurance can help replace these taxes.

19. To Pay Estate Taxes – Clients with larger estates may be subject to substantial estate taxes at death. Life insurance owned by an ILIT (irrevocable life insurance trust) can escape estate taxation and provide the liquidity needed for the estate.

20. To Provide Liquidity to Pay Estate Taxes – Estates of wealthier clients may contain illiquid assets such as real estate or a family business. Life insurance (owned by an ILIT) can provide the necessary liquidity to help pay estate taxes.

21. To Leverage a Gift – Annual exclusion or lifetime gifts can be leveraged up many times by using them to purchase a life insurance policy outside of the gross estate.

22. To Hold By-Pass Trust Assets – If the beneficiary of a by-pass trust does not need (all) the trust principal, assets can be used to purchase life insurance. The asset is leveraged up many times, income taxes on the growth of the assets are minimized and a federal income tax-free death benefit is created, based on current tax laws.

23. To Replace a Trust that Terminates at the Death of a Beneficiary – Certain trusts terminate at the death of the beneficiary. Using trust assets to purchase life insurance during the beneficiary's lifetime means he/she can continue his/her legacy to his/her heirs.

24. To Leverage a Charitable Gift – A charity can use relatively small annual gifts and leverage them into a potentially relatively large death benefit payable at the death of the donor through the purchase of life insurance.

25. To Replace a Charitable Gift – Clients may wish to leave certain assets to charity at death. Life insurance provides for the replacement of donated assets that heirs would have otherwise inherited – such as taxable retirement accounts.

26. To Serve As A Business Asset – Corporate Owned Life Insurance (COLI) products can be designed to include high early cash values, indemnifying the business for the cost of the insurance and serving as an asset on the company's balance sheet. (Note, failure to meet the requirements of IRC Section 101(j) may cause the death proceeds from employer-owned life insurance contracts to be taxable as ordinary income in excess of cost basis.)

27. To Provide for Business Continuation – Permanent life insurance is often a better solution than term for funding a business continuation plan. It ensures that the policy will be in force regardless of how long the business owner stays active in the business. Policy cash values may be available to fund a lifetime buyout or supplement an owner's retirement. Under current tax law, funding a business continuation plan is a valid business purpose for accumulation of assets and is not subject to the excess accumulations tax. A Waiver of Premium Rider* would provide additional benefits to help complete the package.

28. To Provide for Executive Benefits – If structured properly, policy cash values can be used to fund deferred compensation retirement benefits paid to executives. Death benefits can be used as cost recovery mechanisms for the company.

29. To Provide for Repurchase of ESOP Shares – Many Employee Stock Ownership Plans (ESOPs) require the company to re-purchase the shares upon the death of an owner/employee. Life insurance can help provide the funding for this obligation.

*Policy riders are available at an additional cost and may not be available for all products. Terms and conditions apply.

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