

RE-EXAMINE LIFE INSURANCE POLICIES FOR PRESENT NEEDS

We are living longer, resulting in significant changes in the life insurance industry. Policy costs have come down, allowing some individuals to replace their outdated policies with better policies at increasingly competitive rates. In addition, insurers have created a new, blended product that combines long-term care insurance with life insurance, a shift that may be a boon to the more than two-thirds of Americans expected to need long-term care at some point in their lives.

Insurance policy needs evolve over time and adjustments can (and should) be made when major life changes occur, or when certain “triggers,” such as a retirement or the sale of a business, take place.

Insurance industry changes, combined with changes to an individual’s personal and financial situations, make any time an opportune time to make sure that your policy is still meeting your needs. A comprehensive policy review will help you determine if your policy is performing as it should, better than expected, or if it’s under-performing and needs adjustments or remediation.

Take, for example, a couple in their late 50s that Cohn Wealth Management’s Private Client Insurance Services group recently worked with. When combined, they owned three survivorship policies totaling nearly \$45 million, for which they paid nearly \$140,000 in premiums annually. Combined, the three policies carried a \$1.3 million cash value, which Cohn Wealth Management transferred to one policy for \$30 million to meet their needs and reduce their annual premium to approximately \$61,000. Cohn Wealth Management also reviewed the cash values of three additional policies held by their children and transferred them to more beneficial policies, saving their children more than \$10,000 per year in premiums on \$3 million in cumulative coverage.

Another option for seniors re-evaluating their policies is a life settlement, which is the sale of a life insurance policy that is no longer meeting one’s current needs in exchange for its present market value. In the past, the only ways to obtain money from your insurance policy was to either “cash in” (i.e. borrow against the policy’s cash value) or “surrender” (lapse the policy for the surrender value). Today,

the policy does not need to have any cash value to be considered for a life settlement, and any type of policy (universal, survivorship, term, whole, and variable) is eligible. This could be a very viable option for families that are concerned about liquidity and looking for ways to increase cash flow.

As you review your financial strategies, you should keep all of your assets of value in mind, including life insurance policies. Is the policy still meeting your needs and is it a fit for your current financial situation?

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