

# Protecting your legacy

## Life Insurance



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### Why is this important?

- Life insurance helps protect your loved ones, offset potential estate taxes, and transfer wealth more effectively.
- Life insurance you get from work may not provide enough coverage for you and your family's needs. Also, you may not be able to take this insurance with you if you leave your job.
- As life happens and circumstances change, the initial policy and terms you elected may not still be right for your current situation.

### What do I need to know?

#### Different stages in life will lead to different insurance needs

- Family Protection—for *parents and younger couples*
  - Life insurance can be a powerful tool to protect against loss of income in the event of an untimely death. This is more commonly used as a strategy for:
    - Outstanding mortgages and other debt.
    - Loss of income.
    - Future family goals and children's education.
  - Term life insurance can provide significant family coverage at an affordable cost.
    - With term life insurance, you choose how long you would like to be covered, the "term", and pay an annual premium for that number of years.
    - If you pass away within the term, your beneficiary will receive money called the "death benefit", benefit income tax free.
- Estate Tax Planning—for *individuals concerned about their potential estate tax*
  - You may be subject to federal and/or state estate taxes, depending on the state you live in and your net worth.
  - Currently, if your estate is worth \$11.4MM (\$22.8MM per couple) or less, you are exempt from paying federal estate taxes. State estate tax varies by state.
  - If you do not want the dollar value of your life insurance policy to be included in your estate, consider owning life insurance inside of an irrevocable life insurance trust (ILIT).
    - The trust is the owner and primary beneficiary of the policy.
    - When you pass away, the death benefit will be paid into the trust for your beneficiaries.
    - This money creates liquidity that can help beneficiaries offset estate taxes.

- **Wealth Transfer—*for benefitting future generations***
  - Life insurance can be an efficient way to transfer your wealth if you plan to make future gifts.
  - Life insurance may also offer potential tax advantages.
  - If you are considering using life insurance to leave money to your heirs, your premiums may be funded by:
    - Income that you receive but do not need from required minimum distributions (RMDs), annuities or bond portfolios.
    - Assets held inside of trusts.

### Ongoing policy review is crucial

- Similar to how you periodically review your portfolios, ongoing attention to your life insurance policy is important to ensure the policy is still in line with your intended goals.
- With recent stock market volatility and changes to tax and wealth transfer laws, now is a particularly good time to review your goals and consider whether your existing life insurance portfolio supports them.
- Here are just a few reasons for a review:
  - **Protection:** Your death benefit may not be sufficient or your policy may be at risk of expiring.
  - **Annual premiums:** There may be a way to cover your needs more economically.

- **Supplementary benefits:** There may be benefit options more suited to your current circumstances and objectives.
- **Cash value and performance:** Your policy may not be performing as expected.

### What are my next steps?

- ☐ Obtain a copy of your annual insurance statement or inforce illustration. Review your beneficiary designations to ensure they are up to date.
- ☐ Think about how much money you will need to maintain your lifestyle and any other concerns for protecting your wealth.
- ☐ Let's review your current life insurance policies to make sure they are still appropriate to meet your current and future lifestyle.

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