

At the forefront of life insurance there is always the death benefit. It is the bread and butter of numerous policies, and many see life insurance as merely an income replacement tool.



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VALUE OF LIFE INSURANCE

There is much more value to be desired outside of this common view. Numerous financial strategies, mainly estate planning, employ life insurance as more than just a way to supplement the income of the insured. One example of this is to protect the transfer of wealth from taxes. Supplementing the tax hit with a tax free death benefit is a great way to ensure that beneficiaries don't miss out on the financial resources built up over a lifetime.

In addition to estate planning, there are numerous business applications for life insurance. Many non-qualified retirement plans are funded with cash value life insurance. This gives the employee a death benefit should anything happen to them, and also provides them with the potential for income withdrawals at a certain point during or after their career. Other examples are key man insurance, which allows the company to receive a death benefit in the event that a key employee passes away. This allows them to make up for earnings that the employee would have otherwise contributed. Other applications include buy-sell agreements or cross purchase plans.

Not only does life insurance provide a death benefit, but it can offer numerous living benefits. These living benefits come from either the cash value accumulated within the policy, or from a rider that is attached to the policy. Many policies today offer long term care riders that can lower the cost of care should the insured need it. Also, there are ways to set up cash withdrawals from the policy to help



pay for college tuition, retirement, or fund other needs later in life. There are numerous riders available that offer advantageous benefits depending on the given situation.

One scenario that is a concern for many is that should their spouse be the beneficiary, what happens to their estate if the spouse also passes? Survivorship, or second to die life insurance allows underwriting to take place on the lives of two individuals. This offers several benefits. One is that the death benefit will be tax free for the elected beneficiaries once the second insured passes. Also, underwriting may be more liberal on the life of two individuals; this is especially handy if one individual runs the risk of being highly rated or uninsurable. Also, the premiums can be lower than insurance on the life of one individual.

This presentation presents an overview of life insurance. It is not intended to provide full disclosure. It is not intended to give tax or legal advice. Any comments about tax treatment simply reflect an understanding of current interpretations of tax laws as they relate to life insurance. Tax laws are always subject to interpretation and possible changes in the future. **It is recommended that you seek the counsel of your attorney, accountant, or other qualified tax advisor regarding life insurance taxation as it applies to your particular situation.** These pages depict certain life insurance options. All references to the present or future value of death benefits and cash values of pre-existing life insurance policies are based on the information you have provided for purposes of this analysis. They should not be construed to be the actual present or future values of the death benefits or cash values available in those life insurance policies. For a detailed projection of policy values of a given life insurance policy, please contact the company that issued the policy(ies) in question.