

Have You Checked Your Smoke Detector Batteries This Year?

By Mark Charnet

September is Life Insurance Awareness Month. LIMRA the Life Insurance and Market Research Association, recently provided some powerful information regarding life insurance ownership.

- The proportion of U.S. adults with life insurance protection has declined to an all-time low: 41% (95 million) of American adults have no life insurance at all.
- Both men and women are less likely to own life insurance today than they were in 2004 —only 61 percent of men and 57 percent of women have some sort of life insurance coverage.
- Only 1 in 10 insured adults own both permanent and term life insurance — half as many as in 2004.
- The likelihood of being without life insurance has dramatically increased for every age group since 2004.

These statistics are disappointing to say the least, especially when considering the awesome benefits that a carefully constructed policy can provide. For example Life Insurance can:

Create an Estate

Fund a business transfer

Pay estate taxes and other settlement costs

Pay-off a mortgage

Protect a business from the loss of a key employee

Replace a charitable gift

Equalize inheritances

Pay-off a loan

Accelerated death benefits if diagnosed terminally ill (giving you money now)

Provide college fund for children or grandchildren

Emergency Funds for any purpose

And my personal favorite in addition to all of the above:

Provides a Supplemental Tax-Free Retirement Income

There are many policies from various companies that each offer different uniqueness's or specific benefits. Some offer very low mortality charges, while others may offer tremendous cash value growth opportunities. Some cash accumulating policies may be invested directly in the stock market, while others may be **based on only positive stock market performance with no loss potential if the market retreats.** Other policies build no cash value at all and obviously require less premium. Regardless of the type of policy you purchase, you should be aware of the following rules:

1. Life Insurance Policies must be reviewed frequently to determine if the death benefit level is adequate based on changes in your life; such as the birth of a child, accumulation of debt, increase in net worth and resulting taxes at death.
2. Annual policy statements must be compared to the original policy illustration to determine if the cash value growth is in line with what was projected or anticipated. Additional premiums may be necessary to supplement any/or shortfall or premiums may be reduced if there is a surplus.

3. Shop Around – New policies from new companies may offer a better value than your existing policy. Cash value crediting formulas may be improved or mortality charges reduced, offering enhanced values elsewhere. Changing from one policy to another can be done income tax-free.
4. Health is a factor and an asset not to be taken lightly. In the life insurance business it is called insurability. With insurability, you can look and switch to another carrier easily; without insurability you may very well be stuck with what you have and if it is a term policy, it might expire before you do. That is one reason to consider purchasing a policy that is guaranteed for life.
5. Never cancel your life insurance policy until the new one is approved, in-force and paid for.
6. Sometimes it is not in your best interest to exchange your policy or cancel it. Perhaps it might be better to sell it. Given certain parameters, investors might be interested in purchasing your policy and paying more than the cash surrender value.
7. Perhaps your policy may require no further premiums if there is sufficient cash value and or dividends to pay all of the mortality charges and expenses for the rest of your life. This can easily be determined by asking the company to produce an in-force ledger indicating no further premiums payable.
8. After, reviewing, shopping and investigating to determine your options, the best option might be to keep what you have and to continuing paying for it as it is working exactly the way it was designed to do.
9. ***Life Insurance Policies are like smoke detectors, not the Ronco Rotisserie Grill; you cannot “just set it and forget it!” It is recommended that your smoke detector batteries be changed annually and so too, should you check the facts and figures of your life insurance policies.***
10. Life Insurance is the most bought least understood consumer product in the nation, always was and always will be. The policies are mostly written in what I call “insurance hieroglyphics” by actuaries and lawyers; it’s the nature of the beast and unfortunately, most consumers need an honest interpreter to decipher their policy language. The majority of agents leave the industry within 5 years of entering the field so finding the original writing agent may be difficult.

Let me encourage you to conduct a policy check-up as soon as possible. The industry has accomplished many breakthroughs in policy design over the last decade that may very well be in your best interest to evaluate. If you haven’t performed a life insurance policy check-up in a while, now would be the perfect opportunity. As a professional with over 30 years of experience in the field of reading and evaluating insurance hieroglyphics, I would be happy to assist you with your policy(s) review **at no charge**. Just mention you read about a free policy review in the Life and Leisure paper, when you call my office for the appointment.

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