Geer FINANCIAL SERVICES, LLC
Customized. Collaborative. Comprehensive.

Life Insurance Policy Review

THINGS TO CONSIDER

A thorough policy review should start with a current review of the insured's personal, financial and/or business situation. Is the policy needed for its original objective or have the insured's needs changed? Only after the insured's needs are determined can the policy itself be reviewed. In-force illustrations may be requested from the issuing life insurance carrier. Consider the following when reviewing the policy:

- Is the policy performing as expected?
- Has the policy experienced market volatility or decreased interest or dividend crediting rates?
- Has the insured's risk tolerance changed?
- Has there been any change in the carrier's financial status?
- Have there been any improvements in medical underwriting of the insured's impairments, or are there table shaving programs available that could reduce a policy's mortality costs or eliminate undesirable ratings?
- Have there been reductions in the current costs of insurance available in the marketplace?

THINGS CHANGE

Life insurance is a complex and highly flexible financial instrument that should be monitored regularly. Like any financial asset, it will not necessarily perform as originally illustrated. Policies may not be performing well due to market downturns over the past few years or historically low interest rates. Some carriers have even increased their cost of insurance charges so they can continue to be profitable where they have been unable to further lower interest crediting rates due to contractual guarantees. Additionally, needs change and the current coverage may be insufficient or no longer needed for its original purpose.

Life insurance products, like many products available to consumers, are constantly evolving in design and focus. Recent design improvements may not have existed at the time the current policy was issued. For example:

Extended Maturity Riders. These riders address the increasing life expectancy of aging America by preventing the life insurance policies from endowing during an insured's lifetime. If a policy were to endow due to the insured living to the policy endowment age (e.g., age 95 or 100), the policy cash value would be payable and taxable as ordinary income to the extent it exceeded the tax basis of the policy.

Indexed Universal Life (IUL) Policies. The cash accumulation within an IUL policy is based upon the performance of a stock index, such as the S&P 500, or multiple indices. The cash value inside an IUL policy is adjusted based on the movement of the selected index and not the actual purchase of stocks, bonds or mutual funds. Additionally, IUL policies usually provide a floor that can protect the policyholder from negative returns — and a cap that limits how much of the selected index's performance can be credited to the cash value growth.

No-Lapse Guarantee (NLG) Products/Riders. These products maintain the death benefit in force, regardless of the cash value performance, as long as the required NLG premium is paid. Guarantees are subject to the claims-paying ability of the issuing company.

Long-Term Care (LTC)/Chronic Illness Riders. An LTC or chronic illness rider allows the insured to accelerate the life insurance policy's death benefit on a tax-free basis to pay for qualifying expenses as defined in the policy. Any amount paid out reduces the policy's death benefit. Once acceleration begins, the death benefit is generally reduced "dollar for dollar" and the cash value is reduced proportionately.

SUMMARY

Life insurance is an important component of one's financial plan. Too often, it is purchased for a specific purpose and forgotten about. Situations change, and the current coverage could be insufficient or the policies may be underperforming, leaving the policy holder at risk for unexpected premiums or taxable events. Insureds should review their policies regularly, as well as their current personal/financial and business situations, to be sure the policies are performing and the coverage is in line with their current needs.

LIFE INSURANCE — AND A WHOLE LOT MORE

PartnersFinancial is a national community of industry-leading, independent life insurance and financial professionals. For more than 30 years, the organization has supported its members as they build insurance industry knowledge and expertise. In the process, PartnersFinancial members created a powerful culture of idea-sharing and collaboration — all for the benefit of their clients.

PartnersFinancial members take advantage of the organization's preferred market access and clout to offer clients a comprehensive selection of high-quality insurance and wealth transfer solutions. Members also have access to an extensive range of resources, technology, tools, and knowledge-sharing forums and events. A division of NFP, PartnersFinancial also offers members access to capabilities that go beyond an individual company's scope.

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