

Why Affluent People Should Consider Life Insurance



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Avoid Litigation Risk

While many people take steps to secure the distribution of their assets after they're gone, it's less common for them to think about asset protection while they are alive. But in a litigious society, this could be a grave oversight. The death benefit and cash value of permanent life insurance, when owned by an Irrevocable Trust, can make it quite difficult to be attached in the event there is a lawsuit or a litigation issue.

Avoid Market Risk

In some cases, clients feel they are just too exposed to the ups and downs of the stock market with their qualified and non-qualified investments, so they are looking to diversify to a more fixed-return, conservative asset. Certain whole life or universal life policies may fit the bill to satisfy that diversification need.

Satisfy Commitments

Unfortunately, the liabilities that someone leaves behind can cripple the surviving family's finances. Of course this is not the intent but a premature death could leave behind significant mortgages on buildings, homes, vacation properties, businesses, and other commitments. Life Insurance can provide the capital and liquidity necessary to fulfill those obligations.

To Pay Estate Taxes

Life insurance is used as leverage in estate planning when a client recognizes that there is a substantial tax liability created upon the death of a family member. For pennies on the dollar, we can create capital to replace what may be lost to estate taxes in the future.

To Create Legacy

Life insurance can work in many different ways in the charitable world; here are just a few of them: Life insurance can be secured to satisfy a charitable desire or commitment to a school, a hospital, a church, an endowment or dozens of other desired charities. You can leverage an annual gifting strategy to a charity with life insurance, and the family can use the remaining assets to satisfy other personal commitments.

To Create Equality

Often times business owners have children who want to enter the family business while their other children or family members may have no interest at all. In this situation you may want to give your children the business through a Trust or a Buy-Sell succession plan , and then use a portion of the life insurance proceeds to help equalize the inherited assets among other family members