

FOUR WAYS LIFE INSURANCE CAN GROW AND PROTECT YOUR WEALTH

If you haven't checked in on your life insurance strategy lately, now would be a good time to ensure you know how it can help beyond providing a death benefit.

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Life insurance applications surged following the onset of the COVID-19 pandemic, reaching a 38-year high in 2021, according to LIMRA. It's no mystery why — the virus that tragically killed millions of people was a stark reminder of our mortality and the need to protect loved ones in the wake of our eventual passing.

As the pandemic has eased, so too has the record-breaking wave of life insurance applications. Sales officially declined in January 2022, a mere two years since the

start of the pandemic, according to LIMRA.

This reversal — while understandable — could leave many investors without protections and income they'll need later in life. While COVID may no longer be top of mind, it's important to keep sight on the wide array of benefits life insurance can provide. If it's been a while since you've reviewed your life insurance strategy, it may be time for a refresher. Here are some factors to keep in mind.

1. LIFE INSURANCE PROVIDES FINANCIAL SECURITY TO YOUR LOVED ONES.

The primary purpose of life insurance is to protect those who matter most to you following your death. While it's emotional to think about, planning for the unexpected events in life is critical if you have a spouse, children or other loved ones who depend on your earned income. A payout from life insurance, called a death benefit, supplies essential cash flow to replace lost income, helping your beneficiaries maintain their standard of living and stay on track for goals — such as going to college or retiring — that you planned for together.

Life insurance is not a “set it and forget it” strategy. As your life becomes more complex — with events like marriage, the birth of a child and growth in your income and estate — your life insurance needs will likely evolve. It's important to regularly review the terms of your policies and ensure you have the right amount of coverage to support your beneficiaries' income needs should you pass away.

If you're a stay-at-home parent, or if you do not have a spouse or any dependents, you

still have reasons to consider acquiring life insurance. Think about the financial impact — everything from childcare costs to funeral expenses — that could befall your loved ones if you were to pass away unexpectedly.

2. LIFE INSURANCE CAN FUND FINANCIAL GOALS WHILE YOU'RE STILL LIVING.

Life insurance offers liquidity to apply to major financial goals. Your circumstances and goals will likely change over time, and many policies offer the potential to accumulate cash value you can borrow against while you're still living to apply to key needs. Whether it's starting a new business, embarking on a passion project or paying for a child's or grandchild's education, the cash value accumulated within a life insurance policy can provide the financial resources needed to turn these dreams into reality. The funds can also be used in emergencies, giving you peace of mind that you have another source of income to handle the "what-ifs" that pop up in life.

This additional source of liquidity is particularly effective for clients who may not qualify for Roth accounts or have already maximized 401(k) contributions. By leveraging the cash value option in life insurance, individuals have the flexibility to withdraw cash without incurring penalties before age 59½, and they can pay themselves back at 0% interest, making it an attractive option for higher-income earners who are conscious of tax implications.

3. LIFE INSURANCE CAN COVER LONG-TERM CARE EXPENSES.

The U.S. Department of Health and Human Services recently reported that 70% of people in the U.S. population turning 65 today will need some type of nursing home or home care service in their remaining years. While no one wants to think about whether they'll need chronic care, this statistic illustrates how imperative it is to prepare for the possibility.

An insurance policy with long-term care provisions provides a predictable stream of income you or your spouse can use to fund care. Many policies offer riders or options that allow policyholders to access a portion of their death benefit while still alive to cover chronic care expenses. Upon your death, any unused benefit is inherited by your beneficiaries.

You may also consider a hybrid life insurance policy that balances various chronic care considerations with traditional life insurance benefits. The right options and coverage amount for you will depend on your financial situation and health needs. A financial adviser can help you assess the choices and costs.

The benefit is this strategy allows you to preserve your retirement assets and avoid relying on government assistance from Medicare or Medicaid. Instead of being funneled to pay for care, you can use your savings for other essential and lifestyle expenses in retirement — or to leave as a legacy for your family.

4. LIFE INSURANCE CAN HELP PRESERVE YOUR LEGACY.

Life insurance plays an integral role in allowing you to leave behind a meaningful financial inheritance for your heirs, helping ensure they're well cared for even in your absence. Whether it's providing for grandchildren's education, supporting charitable causes, preserving family assets or another goal, life insurance offers flexibility and liquidity to your heirs.

Using a life insurance policy to transfer your wealth has three distinct benefits:

- **Increasing your gift to heirs.** The death benefit transfers income-tax-free to beneficiaries. This means you can potentially give a greater after-tax inheritance through your life insurance policy compared to assets in other vehicles.
- **Reducing taxes.** Assets held in stocks, bonds, mutual funds and other vehicles generate taxable earnings and may be taxable each year, or when you access the money. If you redistribute a portion of the assets in a life insurance policy, you have an opportunity to potentially reduce ongoing taxation.

- **Creating new wealth.** Cash value in a life insurance policy grows tax-deferred, compared to cash held in a bank account that is taxable. This tax treatment gives you the opportunity to grow the assets, potentially creating new wealth for your heirs.

Life insurance is personal, and your strategy for leveraging your policy should be, too. Consult a financial adviser for guidance on implementing the best solutions for you. A professional can review your financial circumstances, coverage needs and legacy goals to help you determine how to protect the people in your life you care about most.

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Accessing the cash value of a cash value life insurance policy will reduce the available cash surrender value and the death benefit. Policy loans involve interest payments.

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