

Is Your Life Insurance Policy Obsolete?

Because it can provide money on an income tax free basis when it is most needed, life insurance is a very popular tool for family income replacement upon death, funding of business “buy-sell” agreements, providing estate liquidity and many other situations. Typically, the policy is purchased, premiums are paid as scheduled, and the policy is put away for safe keeping. Rarely are life insurance policies periodically reviewed to determine their continuing viability. However, many factors involving these policies have changed in the past few years that may make older policies “obsolete”. These factors include:

- New mortality tables showing longer life expectancy
- Continuing medical developments for treating serious illnesses
- Lower interest rates than were originally assumed
- New policies with guaranteed death benefits
- Changes in insurance company financial condition

The first two factors have allowed companies to design less expensive policies as people are living longer and remaining healthy longer. In fact, many medical conditions that would have either delayed or stopped the issuance of a policy in the past now simply require a small increase in premium. Lower interest rates are threatening the continuation of existing policies because original premium calculations assumed much higher interest earnings within the policy. Guaranteed death benefits are now common amongst the industry on newer policy designs, and the recent financial challenges of several companies have made headlines.

Just as any insurance coverage or financial plan must be reviewed and updated periodically, all existing life insurance policies should be reviewed at least every few years. A high percentage can be significantly improved upon in the form of lower cost, higher death benefit for the same cost, guaranteed death benefit and the overall long term stability of the policy. Such a policy review is usually completed at no cost to the policy owner and will provide not only the current condition of the policy but also other alternatives that may be better suited to the owner and insured.

Call your life insurance professional soon to schedule a review of your policies and to start getting more “bang for the buck”!