BY **Benjamin J. Albrecht, CFP®**
V.P., Wealth Advisor

Time to Dust Off Your Life Insurance Policy!

Many people purchase life insurance in one form or another after a significant life event. Whether prompted by the birth of your first child or a large financial windfall that exposes you to potential estate taxes, purchasing life insurance is often viewed as a necessary evil rather than a critical component of your overall financial plan. Complete insurance coverage should be considered no less important than your investment allocation, requiring careful monitoring and strategic changes to align with your ever-changing circumstances.

If you have not reviewed your life insurance policies with your RMB wealth advisor within the past several years, now is the time to do so. We have the experience and resources to guide you through the process, which can be quite daunting without the assistance of a knowledgeable partner. Below, I'll highlight some of the considerations your advisor will discuss with you when reviewing your life insurance policies.

Do you have enough coverage?

Determining the appropriate coverage amount is typically the first step in reviewing your existing insurance policies. Some individuals need a high amount of coverage but have limited resources to cover premiums, while others may be able to afford a higher premium in exchange for a guaranteed death benefit.

We'll revisit why you initially purchased life insurance as well as the logic behind the particular coverage amount you elected. Has your situation changed, requiring more or less coverage? In some cases, people carry too much coverage, but more commonly, the coverage is not sufficient enough. For example, young parents may need to consider childcare costs, loss of income, and even future college costs when determining how much coverage is appropriate.

Do you have the appropriate type of policy?

The two main types of life insurance policies are "term" and "permanent."

- Term insurance offers a simple, cost-efficient way to maximize coverage for a specific number of years (often 10-20 years) and is typically used to replace household income due to a catastrophic event. For most young families, term can be an effective choice.

- Permanent policies tend to carry higher annual premiums over a longer period of time but often provide more flexibility than a term insurance policy and can also offer a long-term, tax-advantaged investment vehicle. Universal life policies, for example, offer flexible premiums as well as an adjustable death benefit.[1] Permanent insurance commonly provides coverage until death and can be a planning strategy to fund projected estate taxes, fulfill a charitable bequest, or provide a base level of inheritance to heirs.

The policy that's right for you today may not be your best option five years from now, based on changes in your personal circumstances. For that reason – and because there can be substantial differences in cost when comparing one type of policy to another – we recommend periodic reviews to assess whether you have the appropriate policy for your needs. »

Does your policy have appropriate features? Is it competitively priced?

Because the insurance industry is continuously evolving, it can create confusion about your policies' features. An example of a feature is a long-term care rider, which provides access to the policy's death benefit prior to the insured's death if the insured has a qualifying, often terminal, health condition.[1] This feature could prove crucial for a family taking care of a loved one who is critically ill and who requires specialized care not covered by traditional health insurance. This rider can be particularly beneficial in light of the rising cost of traditional, stand-alone, long-term care insurance.[2]

As healthcare improvements over the past few decades have led to longer life expectancies, the cost for certain policies may have decreased dramatically. By reviewing the competitiveness of your policies on a regular basis, you may find an opportunity to replace your existing policy with one that has superior features, such as the long-term care rider referenced above, and offers more flexibility, perhaps even at a lower cost.

In order to provide proper guidance, your RMB wealth advisor will likely need to obtain a number of documents related to each policy, including the original contract, a recent premium notice, and the in-force ledger (a projection of policy performance under certain conditions/assumptions).[3] Once we have an understanding of your existing coverage and goals, we will partner with your current insurance advisor–or provide guidance on selecting an appropriate insurance expert, if necessary–who will further educate you on your current policies' features and benefits, recommend any changes in coverage, provide a competitive analysis on current and recommended policies, and, if appropriate, help you obtain new coverage. With your RMB wealth advisor acting as your advocate, we'll collaborate to ensure your insurance policies are aligned with each aspect of your comprehensive financial plan. ■

1 *Harold Skipper, PhD, and Wayne Tonning, FSA. The Advisor's Guide to Life Insurance. American Bar Association, 2011.*
2 *"Ray's Round Up: Long-Term Care Insurance Turns into Short-Term Nightmare for Some," AARP.org, accessed May 5, 2016.*
3 *"Understanding Life Insurance Illustrations," Journal of Accountancy, 2003. Accessed May 6, 2016. http://www.journalofaccountancy.com/issues/2003/feb/understandinglifeinsuranceillustrations.html*