

A FIVE-STEP LIFE INSURANCE ANALYSIS

Although most individuals probably review their financial goals and investments on a regular basis, far fewer examine their life insurance coverage to determine if it is still meeting their needs. A thorough review of your life insurance should be conducted annually. Life insurance should also be reviewed after a major life event, such as marriage, birth of a child, retirement, career change, or the launch of a new business venture.

To be certain your time is well spent, follow these steps for a life insurance analysis:

- 1. Find an agent who will provide thorough service.** It is no secret that agents make the bulk of their commission when you initially buy insurance coverage. However, this should not prevent the agent from providing outstanding service throughout the life of the policy. Insist that you discuss any changes in your personal or financial situation and review changes in the insurance industry. If the agent doesn't sit down with you, find an insurance professional who will.
- 2. Review the nuts and bolts of your current coverage.** An "in-force" illustration is available from your life insurance carrier. This illustration will show exactly how the policy has performed up until now, and can project future costs and cash values based on current assumptions. Universal life policies, a type of permanent life

insurance, include both guaranteed values and values based on current assumptions. These assumptions can change since they are based on mortality charges, interest rates, carrier experience, carrier expenses, and on the carrier's investment portfolio performance. In-force ledgers with "reasonable" future assumptions should be retrieved and reviewed during the evaluation process.

- 3. Assess the need behind the life insurance.** Does the need for which you bought the coverage still exist? Life insurance is not about dying. It is about dying at the wrong time, when you are still an integral part of your business or when your kids are still in college. Life insurance can outlive these risks. A policy review can also uncover new risks that require protection and determine the appropriate amount of coverage.
- 4. Be informed about any changes to the life insurance industry.** Life insurance companies and policies have changed drastically in the last 20 years. Mortality tables have changed, secondary death benefit guarantees have emerged, and mutual companies have demutualized. In other words, the environment has evolved and there may be a product that outperforms your existing coverage or provides a benefit that was not available before. Work with your

agent to get an update on the industry overall—not just your carrier. Also, in today's market, be sure to understand the viability of the insurance company.

- 5. Evaluate the fair market value of your policy.** The cash value of your policy is not the only way to assess what your policy is worth. Capital sources all over the world are purchasing existing policies from policyholders for more than the cash value of the policy—this process is called a life settlement. Over 50 percent of the time, the insured sells his existing coverage and takes the proceeds to buy new life insurance, saving thousands of dollars in premium. Just as you would update your computer when the latest technology becomes available, we recommend that you follow the same reasoning with your life insurance policies. Like new technology, a new life insurance policy can be better suited for today's environment and your current needs.



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