



**From the Desk of Adam Ziff**  
The Ziff Agency, LLC



## Tax Reform Sparks Interest in Life Insurance and Secondary Markets

With many Americans currently reviewing their financial situation after the passage of the Tax Cuts and Jobs Act, it is important to note that any life insurance needs should also be reviewed at this time. Individual life insurance policies consist of over \$12 trillion in the United States, but many Americans are not informed enough about their life insurance needs, policy specifics or planning options. As your finances change, your family grows, or laws change, it is vital to review your existing life insurance to determine whether or not you have a heightened need for more coverage.

The Tax Cuts and Jobs Act made significant changes that impact the use of life insurance as an estate protection vehicle and modified the tax ramifications of selling a life insurance policy on the secondary market as part of a life settlement. From a fundamental life insurance planning standpoint, these changes reduced the need for some individuals to have life insurance to protect an estate from federal estate taxes and improved the tax situation surrounding the sale of a life insurance policy.

Let's look at the estate tax changes first. The Tax Cuts and Jobs Act doubled gift and estate tax exemption from \$5 million per person to \$10 million per person (adjusted for inflation). The exemption is expected to be around \$11 million for 2018, but the IRS has not yet released the official number.

This means that couples could now transfer up to roughly \$22 million between 2018 and 2026 (when the law reverts back to the previous \$5 million exemption) without paying any federal estate taxes.

Many people facing the estate tax use life insurance as a funding mechanism to create liquidity. Additionally, life insurance can be a useful vehicle in transferring wealth to heirs while minimizing the estate tax impact. However, with a higher exemption amount some people will now have life insurance policies that they no longer need simply because they are no longer subject to the estate tax. However, since the exemption amount is temporary, many people might decide to keep their current policies in effect.



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## Current News:

### Annuities May Offer a Security Blanket in Uncertain Times

Americans routinely report anxiety about money, particularly middle-aged people. Even though Gallup's most recent poll on finances was its most optimistic in a while, more than half of American adults reported themselves as either very or moderately worried about not having enough money for retirement.

For those who have had no choice but a do-it-yourself retirement program, there just isn't a sure path to a worry-free future. Even what looks simple isn't. There's no better example than deciding whether or not it's smart to buy a better night's sleep in the future by obtaining an annuity today.

In their basic form, retirees "annuitize" their savings by turning over a chunk of them — and the anxiety about how to best invest it — to an insurance company in exchange for collecting a check for the rest of their lives. A sickening slide in the stock market all over the news? Shrug it off. Another check is due, and it will be the same amount as last month's.

Annuities can also help retirees with what's called the drawdown problem, where people take too little out of savings each year to live on. The rule of thumb is 4% of savings per year, but many spend less in fear of outliving their money. An annuity might help some people lead a more relaxed and richer retirement lifestyle.

(Source: The Star Tribune)

Life insurance is an incredibly valuable financial planning tool and asset. In many cases, it is the foundation and starting point for a financially secure life. It helps bring peace of mind and protection to one's family in the event of an early or unexpected death. Life insurance can also help fund a number of business needs, estate planning needs, and can serve as a valuable retirement planning savings vehicle. In most cases, life insurance policies should be kept in effect, not lapsed, sold, or surrendered. However, as life progresses and laws change, insurance needs change as well. It is important to review your life insurance needs over time and consider all of your financial planning options, including the option to sell a policy on the secondary market, which can net over 10 times the amount of the cash surrender value from a life insurance policy.

(Source: Forbes)

#### 5 Options to Fund Long-Term Care in Retirement

As we age, there is a greater chance we will need some sort of long-term care in the future. According to the U.S. Department of Health and Human Services, 70% of people over 65 will need long-term care at some point in their lives. So, how can you prepare for long-term care costs? Here are 5 options:

##### 1. Self-Pay

The most obvious choice, but it comes with a hefty price tag. Due to higher labor costs and stricter laws, expenses have and will continue to increase.

##### 2. Government Benefits

Many retirees think that Medicare will pay for their long-term care. Unfortunately, this is not true and often one of the biggest misconceptions. Medicare is only for rehabilitation purposes and not categorized as long-term.

##### 3. Traditional Long-Term Care Insurance

This choice has been around for decades but with rising policy premiums and stricter state reserve requirements, there aren't as many long-term care insurance companies or options to choose from today.

##### 4. Combined Life Insurance with Long-Term Care Benefits

Many retirees are now using a combined life insurance policy with long-term care benefits (also known as a "rider"). Not only are there features like inflation protection and different elimination periods to choose from, but if you pass away prematurely your beneficiaries will receive a tax-free death benefit from this option.

##### 5. Life Settlement

If you have an existing life insurance policy—whether term or permanent—legally it is an asset with ownership rights. Life insurance policies contain financial value that often goes unrecognized. Many retirees are now using their existing life insurance policies as collateral to fund their future long-term care needs. (Source: Kiplinger)

## The Underwriter's Corner: Underwriting Q & A

### Life Insurance Table Ratings Explained

Life insurance table ratings are used when you have a health issue, occupation, adventurous lifestyle, or combination of these factors that increases your risk above a standard risk for insurance coverage. Each life insurance company has its own method for assessing your risk class; in fact, some life insurance carriers may assign higher ratings than another company for the same health issue. This is where an independent life insurance agent who specializes in underwriting will save you a bundle.

### Life Insurance Table Rating Tips:

- ① **Table Ratings Vary** – Table ratings add 25% per table, but underwriting varies by company.
- ② **Health Conditions** – Insurance companies view health issues differently which may result in better rates at one company vs. another.
- ③ **Standard vs Standard Plus** – some companies base table ratings off a standard rate while other companies use a more favorable standard plus rate to determine price.
- ④ **It Pays to Re-evaluate** – Even if you just paid for a policy, you can still shop for a better rate and replace the existing coverage with a new policy. Most companies will refund the unused portion of your premium paid.
- ⑤ **Table Ratings are Negotiable** – Positive factors, favorable medical checkups, the passage of time, etc. may help you get a better rate.

(Source: Legal & General America)

**INSURANCE 101**  
Famous Estate  
Planning Failures



**NAME:** James Brown

**DIED:** December 25, 2006;

**AGE:** 73

**CAUSE:** Pneumonia

**ESTATE BLUNDER:** Leaving a vague estate plan that stated he would not provide for any past, current or future wives or heirs not acknowledged in his will.

American soul music legend James Brown left the bulk of his estate, more than \$100 million, to educate poor children in South Carolina and Georgia. Today, more than 11 years later, not a single penny of that money has reached those poor children.

The reason?: Multiple lawsuits involving class, marriage, race, and wild accusations, with lawyers collecting millions in legal fees all paid directly from Brown's estate. More than a dozen lawsuits related to the estate have been filed since Mr. Brown's death, including a new lawsuit filed this January in federal court in California by nine of Mr. Brown's children and grandchildren.

"Whatever good was going to come out of [Mr. Brown's will] that would benefit the community that James had originally intended — and whatever good would benefit his family, for that matter, was all jeopardized," says Alan Leeds, Mr. Brown's former manager. "There are no winners in this."

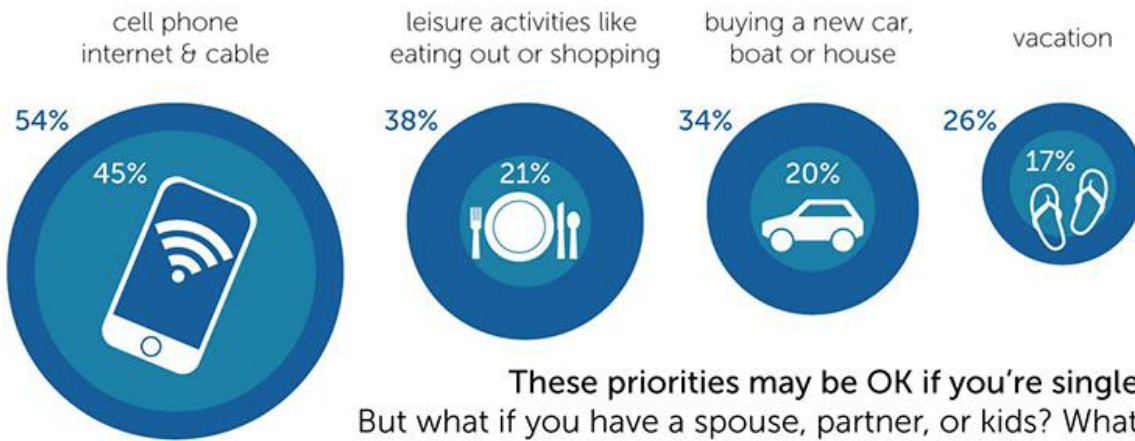
(Source: The New York Times)

# FINANCIAL PRIORITIES: Are They Out of Sync?

This is what's keeping people from getting life insurance coverage or more of it

Many **Millennials** think it's more important to pay for their "screens," eating out and shopping than to protect their families.  
And **Gen Xers** aren't far behind them.

**MILLENNIALS** | **GEN XERS**



These priorities may be OK if you're single. But what if you have a spouse, partner, or kids? What happens to them financially if something happens to you?

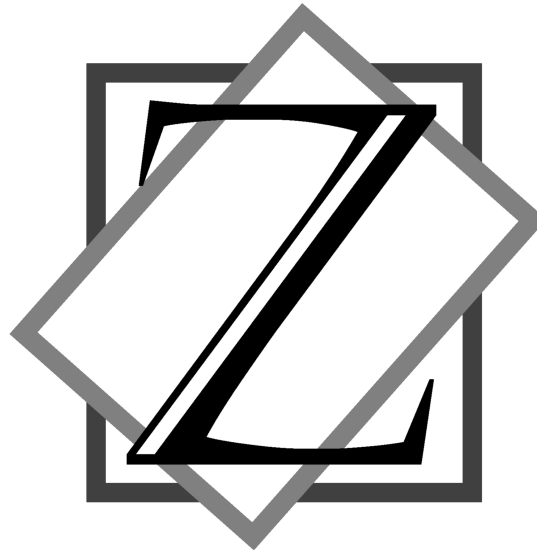
(Source: Madammoney.com)



**HERE'S A  
THOUGHT...**

*"Luck is believing  
you're lucky."*

— Tennessee Williams



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