



FINANCIAL WELLNESS

The Perfect Fit

How to Buy Life Insurance the Right
Way

By Adam Ziff

If you do the right thing for people,
it comes back to you ten-fold.

Prologue

Many people ask me for help deciding which type of life insurance and how much is the right amount to apply for. At the end of the day, I try to solve that problem for each and every client.

I've never had a widow, widower or business partner say, "Why did they have so much life insurance when they passed away?"

It has always been my aim to align the goals of my clients, with the right amount of death benefit to cost ratio. It is certainly wonderful to have lots of insurance, as long as you can afford the premiums.

This hints at the theme of the following chapters, there is a right way to buy life insurance so that it meets your needs perfectly. But first, you must have a better understanding of what life insurance is.

What is life insurance?

A life insurance policy is a contract between a carrier and a policyowner to pay out a benefit upon death of an insured person or couple.

You may have heard a dizzying variety of product names, but most people have heard of Term or Whole Life insurance. Essentially, there are two main types: Temporary (Term) or Permanent (Whole Life or Universal Life).

Term life insurance guarantees payment of a stated death benefit to the insured's beneficiaries if the insured person dies during a specified term.

These policies have no value other than the guaranteed death benefit and feature no savings component as found in a whole life insurance product.

Term life premiums are based on a person's age, health, and life expectancy.

Permanent life insurance itself comes in two forms: **whole life and universal life**.

Whole life insurance offers consistent premiums and guaranteed cash value accumulation, while a universal policy provides flexible premiums and death benefits.

Whole life insurance policies guarantee benefits with fixed premiums and known minimum growth (relative low interest rates). There may be an option to borrow against the cash value if needed later in life and the interest and cash disbursements may be income-tax-free. Whole life is often considered the safest option for those looking to provide for their family after death.

Universal life insurance comes in many different forms, from basic fixed-rate policy to variable models that allow the policyholder to select various equity accounts in which they can invest. An indexed universal life insurance policy gives the policyholder the opportunity to allocate cash value amounts to either a fixed account or an equity index account. Indexed policies offer a variety of popular indexes to choose from, such as the S&P 500 and the Nasdaq 100.

Who needs life insurance?

Now that you understand there are two main types, you can figure out which would suit, or if you even need life insurance at all.

“Life Insurance, because you either love someone or owe someone...(R)”

When Charles married Barbie and they were starting a family, he wanted to follow his father’s advice and be sure he could provide for his family if anything ever happened to him. So he invested in a permanent life insurance policy to leave something behind to replace his income for a period of time.

He bought this first policy based on what he could fit into his budget during an early phase in his career. He understood then the value that a tax-free lump sum death benefit would bring to his family. Besides paying for a funeral and final expenses, he wanted to be sure that substantial debts could be paid off.

Mortgage is one of the top concerns of consumers today and he did not want to be one of the 60% of Americans that was underinsured or had no life insurance at all.

Despite his good intentions, there were still a number of factors that needed to be considered to provide the best safety net possible for his wife and young children.

What about you and your loved ones?

When you think of your life, pause for a second and ask yourself, if something happened to me yesterday, would my family be okay? Do I have a spouse or partner, kids, or other relatives that depend on my income? Life insurance is meant to ease some of the financial hardship your loved ones may go through eventually. If you had a chance to plan ahead and unburden someone you cared about, wouldn't you like to have that peace of mind?

When doing your planning, make sure you have a simple will, if you have any assets. You want to make sure there is a plan to deal with your stuff.

Life insurance is the next important safeguard. Once purchased, it is critical to review your coverage year by year as your family grows, circumstances change, and your career progresses. Debts and responsibilities accrue and can put families at risk when the unexpected happens.

What about your business interests?

If you own a business, life insurance can be used to fund a buy-sell or cross-purchase agreement, or even insure against the loss of a key-employee.

Charles was the key-employee, in fact, the owner of his PR firm. When he died suddenly just before his 50th birthday. His family was covered, but sadly, his business was not. All assets and value disappeared with the jobs for his loyal employees along with any hope for ongoing revenue to benefit his widow and children.

Career Agent vs Independent Broker

IF you have turned on the television and seen a commercial recently, there is a good chance it was for an insurance company.

Just like other businesses, insurance companies hire lots of staff. Some of those staff are underwriters or administration, while others may comprise a salesforce.

Is your agent a career “captive”?

Career “captive” agents work for insurers or agencies that represent one insurer’s range of products. They are more than likely only able to represent the specific company that is on their business card.

For example, John Doe, an agent for “BIG NAME” Insurance may be a seasoned expert in the field and have all good intentions to serve you well, however, if he is a career “captive” agent, he is obliged to sell only policies available at “BIG NAME” insurance.

“It’s like going to a restaurant and every item on the menu is the same option.”

Not many people realize that there are over 1,800 insurance companies out there. If you only go to one carrier, you might not get the best possible prices or health rating.

The independent difference

An independent broker is able to shop all of the best choices for each individual client's circumstances, taking any health issues into consideration.

Humans are not all alike! We come in different shapes and sizes. Certain carriers have rigid underwriting guidelines and others are more flexible by offering healthy credits. Some companies factor in your parent(s) health history and others may not count that against you. Times have changed and people are living longer.

In January of 2020, all insurers were mandated to shift to the 2017 Commissioners Standard Ordinary (CSO) mortality table— replacing the previously utilized 2001 standard. Advancements in medicine, technology, lifestyle trends and more are continually impacting mortality rates, making periodic updates to the CSO table essential. If you have an older policy, it is possible that you can save money by having it reviewed.

We suggest reviewing your policies in relation to your goals every few years and anytime something big happens in your life. Did you get married? Divorced? Have children? It is important to make sure your beneficiaries are always updated.

Make sure the agent or broker you select is working for you and not the just insurance company. At The Ziff Agency, we act like the bodyguards to the consumer. There is no reason to pay more for life insurance than you need to!

Other Uses for Life Insurance

Did you know that life insurance can be left to charity? There are tax benefits available to consumers who chose to “gift” their life insurance death benefit to a qualified charity.

In the past, we have helped our clients set up paid up life insurance policies as charitable gifts and celebrate the ribbon cutting while they are alive.

How can the charity use the proceeds?

If a life insurance policy death benefit is assigned to a charity, or if the organization is made the policy owner, they can shelf the policy and wait for the donor to pass away, or they may access built up cash value inside the policy to use now.

“Transform the size of your gift with the power of life insurance!”

Charitable organizations get the benefit of your gift tax free.

If you write a check for a policy, the insurance company will provide the policy owner provide the policy owner a future death benefit several times greater than the amount it costs to purchase the policy. The future death benefit of the policy could be several times greater than the amount it costs to purchase the policy, not to mention the potential tax benefits for making a gift to a qualified non-profit or charity.

Did you know about estate taxes?

If people of substantial means pass away, there may be federal or state “estate taxes” due within 9 months of the date of death. At the time of this writing, there is an \$11,000,000 exemption per person. If a couple is married, they can transfer any amount of assets under the unlimited marital deduction. However, the estate taxes would be due on the second death. The current exemption is sunseting, back to the previous limit of \$5,000,000 per person in the couple, in 2026.

Life insurance may be an efficient way for clients with significant assets and less liquidity, to assist their heirs in paying for their future estate taxes without fire-selling real estate or other illiquid assets.

You should talk with your estate planning attorney and CPA to ensure that you’ve done a thorough job at moving assets out of your estate into trusts or that your gifting wishes have been properly fulfilled.

About the Author



Adam Ziff has grown up around the life insurance industry. His father, Laurence Ziff, is an industry veteran of 35 years. Adam graduated from the University of Miami with a BBA in Entrepreneurship. He brings a consultative approach to each client call and meeting, discovering the true needs of the client and helping them solve any challenges along the way.

Adam and Laurence have written policies on more than fifteen thousand clients over the last three and a half decades.

Adam can be reached by phone: 201.669.6744 or email: adam@theziffagency.com

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