

#SaveSomeGreen



From the Desk of Adam Ziff
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5 Ways Estate Planning and Life Insurance Work Together

Here are five things to consider in the context of your estate plan when thinking about purchasing, or dropping, a life insurance policy:

1. Life insurance is an excellent planning tool for young families.

Young couples just starting life together often do not have a lot of assets. They are at the beginning of their careers so their earnings are not at their peak. In addition, they may carry significant student loan debt or a large mortgage.

The birth of a child is often the event that motivates them to purchase life insurance so that if one of them passes away, the survivor will have sufficient funds to stay in the house and raise the children. Considerations such as the impact the loss of one spouse's income will have on the ability to pay the bills and educate the children should be analyzed when determining whether and how much life insurance to purchase.



2. Life insurance is taxable in the insured's estate (often).

Many people are confused about the taxability of life insurance. In most cases, life insurance proceeds are not taxable income to the person who receives them. For example, if my aunt names me as the beneficiary of her \$100,000 life insurance policy, that \$100,000 is not taxable income to me.

However, life insurance proceeds are a taxable asset of the insured's estate if the insured owned the policy or had the right to cancel, surrender, or assign the policy or change the policy's beneficiary.

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Current News:

Surviving COVID-19 Could Make Obtaining Life Insurance Complicated

With the number of COVID-19 deaths in the U.S. passing 700,000 and continuing to rise, many Americans are thinking about life insurance.

In the first half of this year, the total number of life insurance policies sold increased by 8%, compared with the first half of 2020. This is the highest policy sales growth recorded since 1983, according to LIMRA's Second Quarter U.S. Individual Life Insurance Sales Survey.

Although more people may be interested in buying life insurance, their chances of obtaining coverage could be hindered by the thing that inspired it: COVID-19.

Currently, having contracted COVID-19 does not jeopardize applicants' chance at getting a life insurance policy, nor does it directly affect their rates, but that leniency could change.

A big concern for insurers is what is known as "long-haul COVID-19." Long-haul COVID-19 has affected millions of COVID-19 survivors and will continue to harm more as the pandemic draws on. If a COVID-19 survivor wants to buy life insurance, it would be in their best interest to apply now. While new regulations and screenings are not yet implemented, they could be right around the corner.

(Source: InsuranceNewsNet)

As such, although I will not pay income tax on the \$100,000 of life insurance proceeds my aunt left me, those proceeds will be included in my aunt's taxable estate and will increase the estate tax liability if my aunt's estate is large enough to require the payment of federal or state estate tax.

3. Life insurance can be an easy way to solve a hard problem.

Life insurance can be a good way to address a situation that is creating stress in planning. For example, spouses in a second marriage who want to leave pre-marriage assets to children from a prior marriage but also want to take care of their spouse, could purchase life insurance payable to the surviving spouse while benefiting children with the pre-marital assets.

Families with a special needs child who want to ensure that funds are available for the child's lifetime to provide for housing or other needs may use life insurance to fund a trust for the child.

4. Life insurance can be a good way to pay estate taxes.

For those who have a taxable estate (i.e., more than \$11.7 million federally in 2021 and \$1 million in Massachusetts), life insurance can be a good way to provide liquidity to pay that tax which is due nine months after death. However, if the life insurance policy is owned by the deceased, then the life insurance proceeds are added to the taxable estate thereby increasing the estate tax liability.

Purchasing and owning life insurance in an irrevocable trust will prevent the life insurance proceeds from being part of the insured's taxable estate thereby preserving the full value of the insurance for the family.

5. Review your life insurance on a regular basis.

Life insurance is not an asset that should be purchased and then never looked at again. As time goes by, needs change and life insurance purchased 10 years ago may no longer be sufficient or may no longer be needed. It is advisable to work with an experienced life insurance agent, a financial planner, and an estate planning attorney to ensure that you purchase and retain insurance that meets your goals and is best suited for your needs.

(Source: InsuranceNewsNet)

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

Life Insurance for People with High Cholesterol

If you're shopping for life insurance, you may need to undergo a medical exam before being offered a policy. These exams help an insurance company determine how risky you are to insure based on your health, but medical issues can affect your insurance offer. High cholesterol is a common occurrence in the U.S., with nearly 94 million American adults suffering from the condition, according to the Centers for Disease Control (CDC).

Because high cholesterol can put you at risk for heart attacks and strokes, two of the leading causes of death in the U.S., insurance companies consider it a risk factor. If your cholesterol is particularly high, not well controlled with medication or if you have other health issues, you might even be denied coverage.

If you know you will be obtaining life insurance in the near future, make sure that you plan out a day for your medical exam so that you can prepare for it ahead of time. A few steps you can take before your exam are to eat healthy meals, drink a lot of water, avoid alcohol for a few days and exercise.

If you have high cholesterol and need life insurance quickly, you can expect to pay a higher premium than if your cholesterol levels are lower. If you have time to lower your cholesterol levels before buying a policy, you might see a lower rate.

(Source: Bankrate)

INSURANCE 101

Famous Estate Planning Failures



NAME: Michael Crichton

DIED: November 4, 2008

AGE: 66

CAUSE: Cancer

ESTATE BLUNDER: Including language in his will that left his unborn son without an inheritance

The famous author, Michael Crichton, was survived by his pregnant fifth wife. His son was born after his death, but since his will and trust did not anticipate a child being born after his death, his daughter from a previous marriage tried to exclude his son from his estate.

Although the California statute would have included his son in his estate, as pretermitted heir, Mr. Crichton included language that specifically overrode that statute and excluded all heirs not otherwise mentioned in his will, not anticipating that he would die with an unborn son, which he did not mention in the will.

His widow petitioned the courts in Los Angeles to make their son an heir. His 20-year-old daughter disagreed with receiving less so she battled it out in court for years, until it was finally ruled that Michael's son would receive one third of his late father's estate.

(Source: Forbes)

Doing All You Can to Protect Your Loved Ones

You want the best for your family. But have you explored all your options for sheltering them from life's storms?

ARE AMERICAN FAMILIES PREPARED FOR THE UNEXPECTED?

20%
of life insurance policy owners feel they don't have enough coverage.¹

68%
of American adults do not have a will or trust in place.²

37%
of American adults don't have some type of life insurance.³

MAKING SURE YOU'RE COVERED



1 in 3

Americans worry their spouse's life insurance coverage isn't enough.⁴

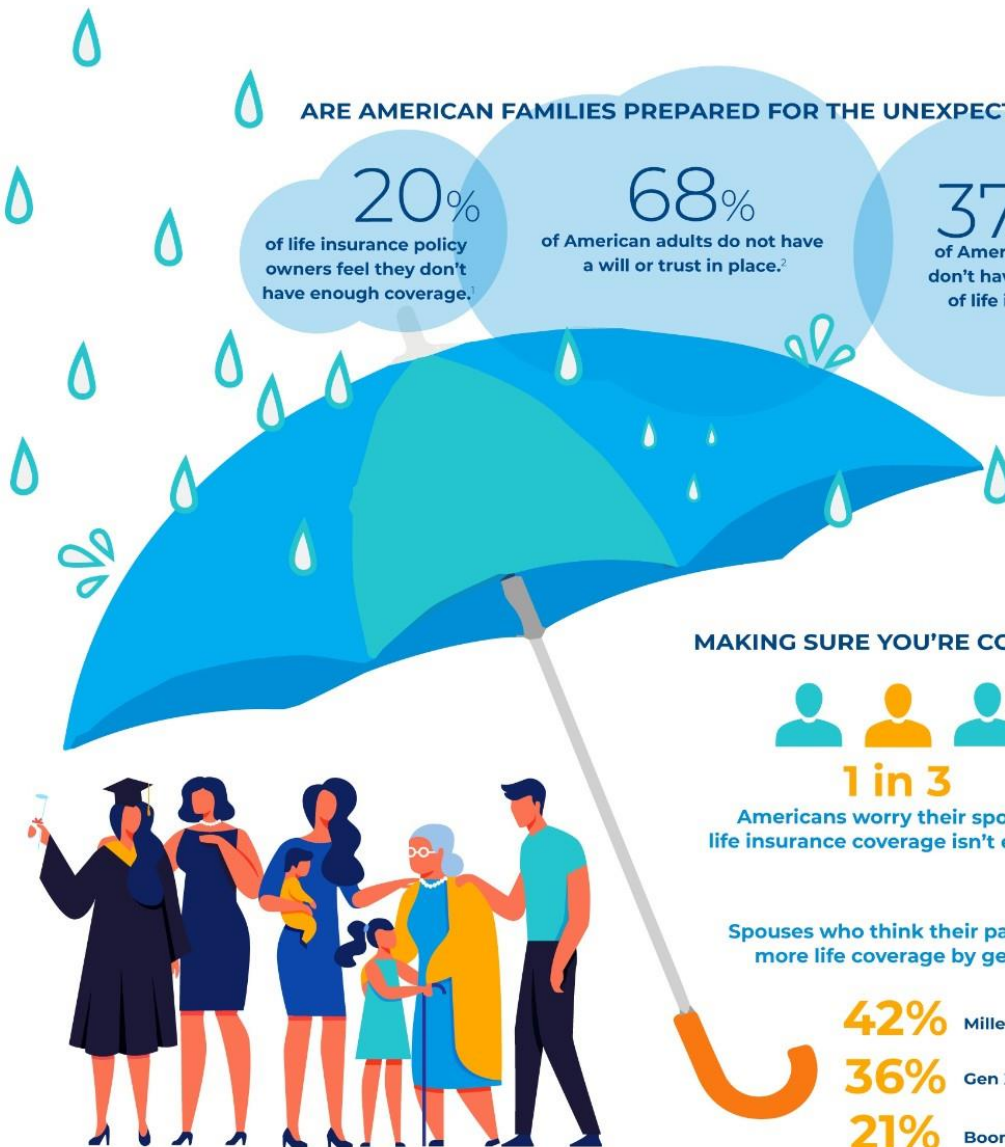
Spouses who think their partner needs more life coverage by generation:⁴

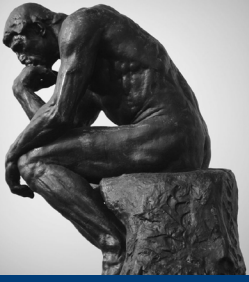
42% Millennials

36% Gen Xers

21% Boomers

(Source: Pacific Life)

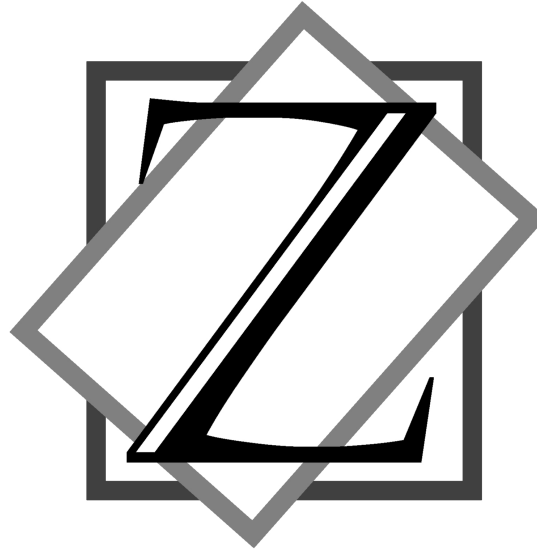




**HERE'S A
THOUGHT...**

*"What if today we were
just grateful for
everything?"*

– Charlie Brown



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#InsureYourLove

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