

How to use Life Insurance as a Wealth Enhancing Tool!

Beware the pitfalls and thrive....



The Last Good-Bye.

One morning a man was kissing his wife good-bye. She never saw him alive again.

A sad way to start, and unfortunately a true story. Early in my career in the financial business, I helped a start-up enterprise purchase life insurance on the two owners of a business. They each purchased a total of \$500,000 (\$250,000 for the business and \$250,000 for each family). The owners were in their early 30s, and the business was off to a good start. A year later one of the owners was killed in a car accident less than a mile from his home on his way to the office.

It has been over 30 years since that car accident.



With life insurance the business owner had the cash to continue the business, and has become very successful and retired today. The money for the business assured the owner and the employees continuation for the business with money to hire a replacement.

The proceeds from the other insurance policy for the deceased owner allowed his wife to eliminate debts, pay the mortgage and even set money aside for their children's college education.

Unfortunately many families look at life insurance as an expense rather than a wealth enhancing tool. Today your income provides a roof over your family's head and food on the table, but what if you weren't here tomorrow? Major life-changing events can, and do, happen to us without warning.

When your health declines you will pay more to purchase life and disability insurance assuming you are insurable.

"YOU HAVE CANCER!"

Yes, that big "C" word. That's what the doctor told me when my son was three months old.



I was told that a large, hard lump in my neck was most likely non-Hodgkin's lymphoma which meant I was suddenly uninsurable.

When you are told that you have a life threatening issue, believe me, you don't have enough life or disability insurance. And then it's too late to get it. When I got home from the doctor's office, I was quickly digging out all my policies and especially my disability insurance to see how much I would be receiving when I thought I would have to spend all my time fighting a life threatening disease and no income.

After the surgery it turned out to be a cyst which was removable. Painful and curable, but not life-threatening.

Life insurance can be the anchor of stability your family needs, ensuring they are financially secure if you aren't there to provide for them. (Don't overlook the importance of disability insurance, but that is for another discussion.)



Don't allow yourself to be one of the Americans who does not have adequate life insurance protection.

A majority of families either have no life insurance or not enough, leaving them one fatal accident or terminal illness away from a financial catastrophe for their loved ones.

Don't overpay and don't get screwed!



I recently reviewed a term life insurance proposal from an insurance agent for a client of mine.

My client was being sold a policy that was four times the cost of what he could get in a virtually identical plan.

And the proposed insurance policy was **missing** the valuable waiver of premium provisionⁱ.

The result: a double whammy –

- the agent would make a bigger commission by selling an expensive term policy,
- AND my client would have to keep paying year after year for the policy in the event he was seriously sick or hurt.

Obviously we found a more suitable insurance plan at far less cost, so he could literally "buy term and invest the difference."

(A waiver of premium rider is a clause in an insurance policy that waives the policyholder's obligation to pay any further premiums should he become seriously ill or disabled, so the waiver of premium allows people to benefit from an insurance policy, even when they cannot work.)

Another client issue:

Don't Be a Victim of Insurance Agent Mistakes:

Who is the owner of the policy?

Who is the beneficiary?

Whose paying the premiums?



A newly divorced mother of two children needed money to rear her small children if her former husband were to die, so she signed up with an insurance agent to insure her ex-husband for \$500,000.

Well her ex was not very cooperative, and she actually had to pay him to take the physical required by the insurance company. The good news he passed the physical exam. She got her policy, and started paying premiums.

So all was good. Right? **WRONG!**

When we did our review of the policy, I asked if there had been any updates or changes to the policy since it was written?

She said "no, why?"

Looking at the policy application which is attached and part of the policy contract, the husband was the owner and the small children were the beneficiaries as created by the insurance agent she chose.

Why was this so bad?

Because her former spouse had complete control of the policy without paying a dime!

He could change the beneficiary to a new wife or anyone of his choosing without her knowledge, and even when she found out she could do nothing about it.

The life insurance all bought and paid for by the mother, but no way to assure her children would benefit.

Another problem is most policies do not directly transfer assets to minors until a trustee or guardian is approved by a court.



What a nightmare this would have been! This mother could have paid thousands of dollars in premiums only to find out proceeds of the insurance could be paid to her ex's current wife instead of going for her children's education and welfare. All because the agent was more concerned about making his commission than in learning how to fill out the application correctly.

Half a million dollars would be a lot of money to gift to a stranger especially when you are spending hard earned dollars intended to protect your kids.

Ex must cooperate to correct: And to add insult to injury, the insurance company could not change the ownership as intended to the Mother without the ex-husbands written consent.

Fortunately we were able to correct these horrendous mistakes. The ex-husband signed the ownership change, and the Mother set up a revocable living trust with her children named as beneficiaries in the trust.

Unbiased 2nd Opinion Saved the Day! Getting a second opinion and review of all important financial and wealth building and protection strategies can make the difference between having money and getting screwed. Check out "**Wealth Coaching**" on our website.

Of course we all know that life insurance pays at a death, but what about the living benefits?

The sad fact is most people have no idea of the living benefits that can be utilized for enhancing and securing a solid wealth plan.

Let me explain a couple of important caveats....

**Permanent
or
Term
Insurance?**

**Which is best
for you?**



The answer: It Depends.

So you've probably heard the saying "buy term and invest the difference".

Let's take a closer look at this scenario.

Absolutely life insurance's number one function is to replace income.

The top priority of life insurance is to protect our family and businesses. So why would you look at the benefits of a permanent (vs. term) insurance policy?

Rhetoric has it that permanent life insurance is not a good investment. So maybe it is and maybe it isn't. It depends on your personal situation, your goals and how you utilize the valuable policy provisions.

Before my son became an adult I carried both term and permanent life insurance policies. It guaranteed cash for his education and support for his adolescence if I was not on this earth. When he became an adult and self-sufficient, I dropped the term insurance.

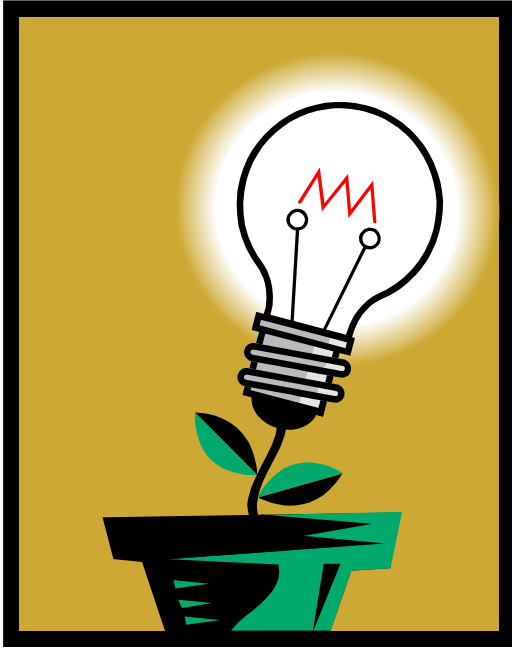
How life insurance works into retirement planning.

Overfunding: Now that he is grown I have continued one permanent life insurance policy because at the time of purchase I put in additional money in it as part of my retirement planning.

Because of this overfunding I continue today to have the death benefit protection without paying premiums. And thanks to this overfunding I have many more advantages that have made this a valuable wealth enhancing tool.

So why include a permanent life insurance program?

More than just a Death Benefit.



Valuable
Living
Benefits...

1. **Waiver of Premium**: This cheap extremely important rider can save a fortune.

This rider will waive the premium keeping a policy in force when an insured becomes completely disabled.

With so many term insurance policies being sold over the Internet and by commission-driven sales agents, many life insurance policies – term and permanent – do not have this provision.

23 Years without paying a dime for life insurance policy.

I have a client now who was disabled in the third year (1990) of his policy ownership. Despite the fact that he hasn't paid a premium in 23 years, his policy continues to have all the living and death benefits.

After all these years of being permanently disabled his heirs will collect the death benefit no matter how much longer he lives. There are a lot of medical and support bills his family has had to pay to help him, and this will be a really nice pay back for his upkeep.

2. Money when you need it:

As I said earlier when I purchased my permanent policy I overfunded it.



This means that I chose to contribute additional money into the policy over and above the insurance cost.

With cash inside the policy my moneys grow tax free, and it gives me the privilege of taking out loans whenever I need the money at a guaranteed low interest rate.

Because I contributed a larger amount, it has given me the leverage of large amounts of cash when needed.

AND I do not have to qualify for a loan like I would have to do if I needed money from a bank.

AND... the money left in the policy continues to grow tax free.

BEWARE: Not understanding how this works can be an expensive mistake, so make sure you understand the provisions just like you would in making any other loan.

3. Compare this to a 401k.

The money in your 401k can increase, and it can decrease with fluctuations in the stock market.

You are not guaranteed any money in your 401k.

A permanent life insurance policy works like a savings account in that when you contribute to your policy your cash increases - guaranteed.

With a 401k your money is growing tax deferred so all the money you take out later is taxable. If you take out the money prematurely, you will be subject to an additional 10% penalty unless you qualify for an exception.

However, with your permanent life insurance, since you pay the premiums with money that has already been personally taxed, your cash grows tax free and you are only taxed on withdrawals that exceed the amount of money you contributed.



IMPORTANT NOTE: This is not to suggest anyone should substitute permanent life insurance for a 401k. Quite the contrary there is a place for many different vehicles for financial freedom. Successful individuals and families coordinate appropriate strategies with their personal goals.

4. Need collateral for a loan?

If you have a business, you want lenders to know you're a good risk and will pay back their money.



One way to demonstrate that is by owning a permanent life insurance policy which can be used as collateral.

5. Money for long-term care:



Another valuable benefit is the possibility that permanent life insurance policy can be used for long-term care expenses.

There are two aspects for this.

- a. During your lifetime if you need money to pay for care, there are companies that purchase insurance policies for cash depending on your expected lifespan at the time care is needed.
- b. In addition many permanent life insurance policies include *accelerated* or *living* benefits when paid directly to a chronically or terminally ill policy owner before death.

Worst case scenario is that life insurance will replace the money you personally spend while living thereby saving your estate from loss of assets intended for your heirs.

6. Lawsuit Protection:

It can take a lifetime to create an estate, and the last thing you want to happen is to lose your wealth in a lawsuit.



The death benefit is in place to replace income in the event of your death.

What some people don't realize is that the money inside a permanent life insurance policy is protected from lawsuits.

In the event that you are sued, creditors can't touch the money in your policies.



The reason is because life insurance policies are meant to benefit someone else - your beneficiaries.

This can and should be coordinated with a sound asset protection plan. Check us out on our web site www.finishrnow.com under "Your Money."



So now that we have covered advantages to permanent life insurance...

When you think about life insurance, think long-term for all your life's horizons.

Permanent life insurance is one tool that the smart money use to create and keep wealth.

Remember, it can be what you do with the product that can make it a wealth enhancing tool. What happens to most people is that they purchase a 10- or 20-year term insurance policy, and it expires when the premiums become too expensive as they did not know how to use it as another way to amass and preserve wealth.

While no one likes to think about dying, it's a subject you must address or your loved ones risk suffering financially.

Together we can create an affordable insurance program designed to best suit your needs and make sure your family has a money tree to provide for all your necessary needs and more.



Life insurance can do some pretty amazing things for people:

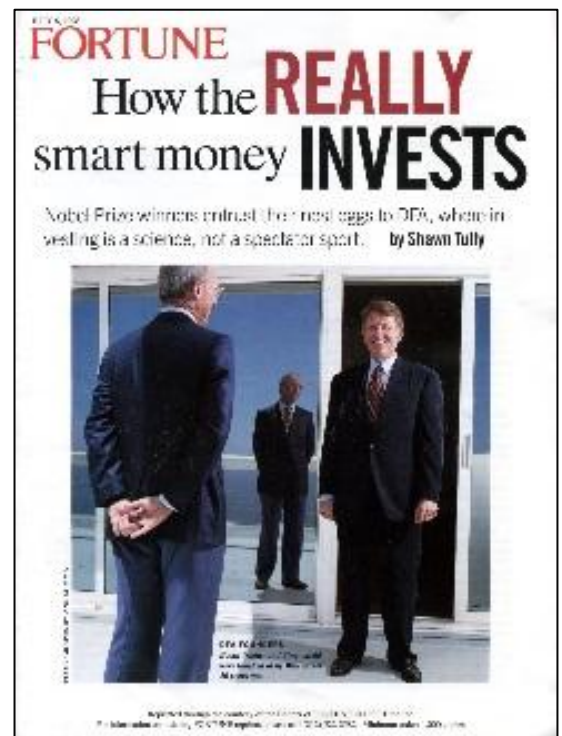
- ✓ Buy loved ones time to grieve.
- ✓ Pay off debts/loans and keep families in their homes.
- ✓ Fund a child's college education.
- ✓ Keep a family business in the family.
- ✓ Provide an income stream for a family to live on for a period of time.
- ✓ Protect against the costs of long-term care.

Put it all together....

Coordinate your life insurance with a prize-winning investment program for your personal investments, IRAs, and rollover 401ks...

**Why we recommend
institutional
mutual funds!**

**NOT
retail mutual funds.**



As most of those familiar with our services we specialize in educating our clients in “passive” (structured market) portfolios.

This is accomplished by recommending institutional mutual funds versus “active” (retail mutual funds) investing.

Active investing consists of utilizing stock picking, market timing, and track record investing schemes.

Institutional funds are a favorite because they are the equivalent of tax efficient, "refined" index funds on steroids!

(A truer description would be refined asset class funds which capture specific dimensions of both risk and return!).

The methodology:

We follow the "golden rule"...

- educate investors,
- globally diversify cost efficiently as possible,
- follow the Modern Portfolio Theory incorporating into this the Fama-French "Three Factor Model,"
- and apply discipline to the investments by systematic rebalancing.

So why are we so passionate about this?

- **You are in good company:** These institutional mutual funds are represented by the likes of Calpers (California Public Employees Retirement System), GE's pension plan, many universities and endowments and other similar institutional investors.
- **You defy media hype:** During the bear markets (from 2000 on), while the industry has seen huge net outflows from retail funds, there were no net outflow years from these recommended funds.

These institutional funds experienced only strong, positive inflows of investor funds -- even during the worst of the 2008 bear market!

- **You keep more money in your pocket:** Over the last year, due to growth (locally), technological enhancements and portfolio improvements, fees and costs across the board have been lowered.
- **We both win:** You make market returns, have a well-diversified portfolio, reduce your costs, and have peace of mind. We are happy to make a difference in your life.

(Details at our website. Look under the "Investing" tab. Watch the Video.)

Here's what one of our clients had to say about our services:

"We have been using Woodie as a financial adviser/coach for just over five years. Her insights combined with her disciplined and systematic approach to financial organization has been incredibly beneficial to our family. Her advice has been invaluable on issues ranging from life/disability insurance, estate planning and structuring of investment vehicles. As a working professional it is very difficult (and time consuming) to stay on top of all facets relating to financial organization; Woodie has not only organized us, she is actively working to ensure we are thinking ahead strategically as our family grows and our financial circumstances evolve. She is very personable and diligent. I would highly recommend Woodie's services to anyone looking for assistance with financial planning."

Jon Chambers, August 12, 2014,
Head of Liquidity at U.S. Bank
Posted on LinkedIn.

How can we help you accomplish your Profit Plan?



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CEO (Chief Encouragement Officer)

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Finish Rich Now is a fee-based firm dedicated to helping clients control their money and reinvent their wealth. We do not sell investment or insurance products. Our goal is providing independent, well researched advice along with ongoing reliable, personal wealth coaching.

We help you get from where to are to where you want to be - *financially and emotionally.*