During this time of “social distancing,” it is a great time to broaden your understanding of financial planning issues, specifically five areas related to life insurance.

5 Things Clients Should Be Focusing On With Their Advisors

#1 – Review your and your family’s needs.

- According to the Life Insurance Management Research Association (LIMRA), less than 50% of the population in the United States owns individual life insurance, with their only life insurance coverage provided by their employer.

- Employer-provided life insurance is typically a multiple of salary (1 or 2 times salary) and capped at $50,000. As a result, most people are under insured. In addition, many people have lost their employer-provided life insurance due to layoffs as a result of the economic crisis created by COVID-19.

- There are a number of calculators available to determine life and insurance needs. One of our favorites is available at https://lifehappens.org/insurance-overview/life-insurance/calculate-your-needs/.

- Review your beneficiary designations. Make sure that if something happens to you, the intended beneficiaries are named in your policy.

- Life insurance is a very personal decision and will vary from individual to individual. Consult with a life insurance professional to discuss your needs.

#2 – If you own individual life insurance, you may need premium relief in these uncertain times. If you have a premium due and would like to maintain your coverage but paying the premium will be a burden, consider the following:

- If you are paying premiums annually, you may be able to change the premium frequency to monthly, quarterly, or semi-annual if a premium is due.

- If you own a whole life policy, consider an automatic premium loan (APL) or change your dividend option to offset premiums due, if dividends are available.

- If you have a flexible premium policy, such as a universal life policy, consider paying the mortality and expense charges ONLY, or skip a premium altogether if your cash value is sufficient to pay for the mortality and expense charges.

- Many insurance companies have extended their grace period (the period in which a premium can be paid late) from the usual 30 days to as many as 90 or 120 days. Furthermore, certain state insurance departments have mandated a grace period extension. Check with your insurance advisor to understand your grace period.
#3 – If you need cash for emergency needs during these times, life insurance cash value may
be an inexpensive source of funds.

>> Cash value from universal or whole life policies may be available via withdrawals, loans, or the surrender of
paid up additions.

>> Evaluate the impact of a withdrawal or loan on your policy BEFORE taking the money if the protection
component (the death benefit) is of overriding importance to you.

>> Certain loans may be available at a very low interest rate, as you are borrowing from your own cash value. If
you take a loan, consider paying the loan interest if your circumstances allow.

>> If your whole life policy dividend option is buying paid up additions, consider taking it in cash this year.

>> If you have a life insurance policy that you no longer need or cannot afford, consider selling the policy for
cash to a life settlement company. This option is generally available to people over age 70 or those whose
health has deteriorated since the policy was originally purchased.

#4 – Life insurance is very valuable asset and as such, should be managed like any other as-
set, similar to an IRA or 401(k).

>> Make sure that you are paying attention to term durations for term insurance. Many policies are guaranteed
for a specified number of years at a determined premium. After that period, the policy will either expire or the
options to continue will be at a much higher premium.

>> Make sure that you are paying attention to your conversion privilege on your term policy, which allows you to
convert to a permanent form of insurance. This conversion period does not always match the term duration
period.

>> If you are ending your term or conversion period, consider converting to a permanent product if you still
have an insurance need. The full amount of the policy needs to be converted. Partial conversions are often
available from most insurance companies, but you would need to check with the company.

>> Given the COVID-19 pandemic and the impact in interest rates, it may be a good time to convert now, as
future insurance contracts may be more expensive or unavailable.

>> Check the ownership of your life insurance and make sure it is as you intended it to be. Many people have
employers, trusts, or family members own the life insurance. Be mindful of the consequences of each and
seek guidance accordingly.

>> If you own permanent insurance, request a review to make sure that it continues to perform per the
expectations when you purchased it. Interest rates and other performance factors have changed since you
purchased your insurance. See guidance from an insurance professional to conduct a policy review.

>> If you own a variable life contract (a securities-based product), review your asset allocation and make
changes accordingly. Consult with an insurance and/or securities professional. Consider having the cost of
insurance and other expenses deducted from a fixed account or a stable value fund.

>> If you own a Guaranteed Universal Life policy (GUL), consider how a late premium payment will impact the
guarantee provision of the contract.

>> Review all policies that have a loan balance or where you have made withdrawals to make sure that they are
performing and will not lapse.

#5 – Life insurance is still available if you do not currently own any, feel that you don’t have
enough, or simply would be more comfortable buying more today. Insurance is still available at
very attractive rates, but that may change.

>> Automated underwriting programs are available for as much as $5 million for individuals under age 60 who
are in good health.

>> Consult with an insurance professional to discuss your needs.