

Getting the Most from Your Life Insurance Dollars

A Guide for Getting Your Life Insurance in Order

- **Inventory All Policies and Coverage**
- **Identify Gaps and Problem Areas**
- **Get Answers to Big-Dollar Questions**
- **Meet with Advisers to Effect Changes**
- **Review Options on Using Dividends**
- **Consider Settlement Options Carefully**
- **Check Ownership, Transfers, Beneficiaries**
- **Avoid These 14 Life Insurance Mistakes**
- **Reduce Premium Outlays — 17 Ideas**

A Guide for Getting Your Life Insurance in Order

You spend a considerable amount of money each year on insurance premiums. Any other investment into which you are pouring that much money would get regular and careful review. Why not resolve now to conduct a complete review of all your insurance coverage to make sure you are getting maximum protection from your premium dollars. This **Resource Report** should be used as a checklist with your advisers to be sure no areas or heirs and beneficiaries are overlooked.

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How much personal and business life insurance do you carry? What types of policies (term, whole life, universal)? At what cost? Who are the primary and contingent beneficiaries? How are the dividends being used? What is the cash value of each policy? Is the insurance cancellable or nonrenewable?

If you don't know the answers to those questions, that's precisely why you should take stock of your insurance coverage *now*. There are other reasons too.

- You may want to reduce your insurance coverage because you may not need the proceeds to pay estate taxes. The unlimited marital deduction between spouses and the lifetime exemption of \$3.5 million for each taxpayer reduce the value of estates and the estate tax itself is scheduled to be repealed in 2010, and then re-enacted in 2011.
- The ownership and beneficiaries of your existing life insurance policies may not be consistent with your will, trusts, and overall estate plan. You want your assets distributed fairly and equally among your heirs but overlapping policies naming different beneficiaries could preclude that.
- You could be paying for policies to protect dependents who are now grown and self-sufficient or your family has changed (more children, a divorce, etc.) since you originally took out the policies.
- You may want to change the settlement options on how your beneficiaries, particularly younger children, receive the insurance proceeds: lump-sum or in installments over five to 10 years.
- You may be paying too much for old coverage that is currently available at lower prices or in a form that better meets your needs.

- You haven't locked in your insurance. Some of your policies can be cancelled or aren't renewable.
- You haven't considered how you might use life insurance to achieve other objectives, such as funding a pension or deferred compensation plan to give you more retirement income.

When acting on the ideas in this report, keep in mind that this is a review that shouldn't be done in isolation. Life insurance should be considered in the context of other personal factors (age, health, dependents, lifestyle) and financial factors (your will, trusts, other assets, tax situation). Your retirement needs and estate plan are of particular importance when reviewing your life insurance because together your estate plan and your insurance policies will determine the distribution of your assets at your death.

Last, we have included business insurance ideas and questions for those readers who are business executives or owners.

Now, let's get started on getting your life insurance in order and more effectively using your premium dollars.

Thomas J. Martin, *Author*

You have to plan ahead because when your life insurance pays off, you won't be around to make sure it's done right.

The Steps to Saving Premium Dollars and Effectively Using Life Insurance

#1 — Prepare a *master listing* or *inventory* of all your personal and business life insurance policies. The next page will help you decide what to include.

#2 — Use the checklist of questions on the following pages to help you pinpoint gaps in your insurance coverage and identify coverage that is outdated or needs to be changed.

Don't be intimidated by the number of questions. Your insurance agent will be able to provide much of the information even if he or she didn't sell you the life insurance policies in the first place.

#3 — Review the 14 planning mistakes in *Part Two*, page 13. The mistakes and oversights can have a devastating impact on your heirs and business.

#4 — Review with your insurance agent the 17 ways to save money on your insurance premiums. That subject is covered in *Part Three*, starting on page 19.

If you are like most people, you have probably lost track of all the insurance policies you have, who and what they cover, and who the beneficiaries are.

Step #1 — Inventory Your Life Insurance Policies

Complete below for EACH Personal, Family, and Business Policy

Basic Policy Data

Face Value of Policy:

Type of Policy (e.g., Term, Whole Life, Universal, Variable, Group):

Insurer and Policy Number:

Issue Date:

Insured:

Owner:

Beneficiaries

A. Primary:

B. Contingent:

C. Tertiary:

Annual Premium:

Values of Each Policy

Cash Surrender Value:

Annual Dividend:

Outstanding Loans:

Interest Rate on Loans:

Net Equity in Policy

(Cash Surrender Value less Loans):

Net Annual Premium Cost

(Premium less Dividend and Unpaid Interest):

Net Annual Cost of Policy (Premium less Dividend less Annual Increase in Cash Value):

Step #2 — Answer These Questions

Policy Provisions	<u>Yes</u>	<u>No</u>
Is the life insurance cancellable or nonrenewable? If so, at what age and on what terms?	<input type="checkbox"/>	<input type="checkbox"/>
Was the ownership of any policy ever transferred? If so, ask your accountant about the IRS' transfer for value rules. You could have a taxable transaction which would make the life insurance proceeds taxable income to the beneficiary.	<input type="checkbox"/>	<input type="checkbox"/>
Is there a waiver of premium for disability?	<input type="checkbox"/>	<input type="checkbox"/>
● When does it become effective, e.g., after 60, 90, or 120 days of disability?	_____	
● For how long is the premium waived for total disability?	_____	
If death is by an accident, is there accidental death coverage?	<input type="checkbox"/>	<input type="checkbox"/>
Is the policy convertible to another form of insurance? If so, for how long and at what premium cost?	<input type="checkbox"/>	<input type="checkbox"/>
Where are the actual policies located?	_____	
Do I have copies of all amendments to the policies (e.g., beneficiary and ownership changes) ?	<input type="checkbox"/>	<input type="checkbox"/>
Beneficiaries	<u>Yes</u>	<u>No</u>
Do the beneficiary designations conform to my and my spouse's wills and trust agreements?	<input type="checkbox"/>	<input type="checkbox"/>
Do I want to change any of the beneficiaries?	<input type="checkbox"/>	<input type="checkbox"/>
Are the names and addresses of all beneficiaries complete and correct?	<input type="checkbox"/>	<input type="checkbox"/>
Are there new or adopted children? Any married or divorced? Any beneficiaries who have died? If so, do I want to name <i>new</i> beneficiaries?	<input type="checkbox"/>	<input type="checkbox"/>

Do I want to change the settlement options, i.e., when and how my beneficiaries, particularly younger children, receive the insurance proceeds?

Policy Structure Yes No

If the insurance is term, is it guaranteed renewable and for how long? If not, do I have sufficient life insurance to protect my dependents without this coverage?

Does the annual premium increase? If so, when and under what terms?

Does anyone other than the owner pay the premium? If so, check with your accountant; there could be negative tax effects.

If the company pays any insurance premiums, have I reported it as PS 58 income? If not, the proceeds may be taxable income to your beneficiaries.

If the interest rate is low, have I considered borrowing from the policy as a source of capital?

Have I affected the integrity of the policy, i.e., policy loans are near or equal to the policy's cash value?

Dividends Yes No

Can dividends be used to purchase more insurance?

Have I elected to accumulate all dividends? If so, is the annual return satisfactory?

If I forget to pay any premiums, have I informed the insurance company to automatically use any accumulated dividends or cash value to pay them? That way, the policy won't lapse if a premium is unintentionally missed.

Disability Insurance Yes No

How much disability income would I get per month? _____

For how long is it payable? _____

What is the elimination period?	_____	
Is the policy noncancellable?	<input type="checkbox"/>	<input type="checkbox"/>
Is the policy guaranteed renewable at stated rates?	<input type="checkbox"/>	<input type="checkbox"/>
Am I insured in any occupation?	<input type="checkbox"/>	<input type="checkbox"/>
Does the policy cover partial disability?	<input type="checkbox"/>	<input type="checkbox"/>

Business-Related Questions

	<u>Yes</u>	<u>No</u>
If I have a Keogh or other retirement plan, have I considered funding a portion of it with life insurance?	<input type="checkbox"/>	<input type="checkbox"/>
Is there life insurance within company retirement or profit sharing plans? If so, does it comply with IRS and ERISA regulations?	<input type="checkbox"/>	<input type="checkbox"/>
Do I have split-dollar or key executive life insurance coverage with my company?	<input type="checkbox"/>	<input type="checkbox"/>
Is my group life insurance policies and their beneficiaries coordinated with my other personal and business insurance?	<input type="checkbox"/>	<input type="checkbox"/>
If there is a deferred compensation plan in effect, have I considered funding it with life insurance?	<input type="checkbox"/>	<input type="checkbox"/>
To protect my salary on disability, is there a wage continuation plan in effect?	<input type="checkbox"/>	<input type="checkbox"/>
Is the company complying with all non-discrimination rules?	<input type="checkbox"/>	<input type="checkbox"/>
For all business-related insurance, were proper corporate minutes prepared?	<input type="checkbox"/>	<input type="checkbox"/>
Have I considered business association insurance to supplement my personal insurance?	<input type="checkbox"/>	<input type="checkbox"/>

Exhibit 1: The Big-Dollar Questions to Discuss with Your Advisers — next page

Exhibit 2: Your Options on Using Dividends — page 11

The Big-Dollar Questions To Discuss with Your Advisers

You undoubtedly have certain expectations as to how your dependents and heirs will be provided for in case of your death. Your life insurance policies probably are your primary vehicle to fulfill those expectations. But are you sure they're structured to do what you intend them to do? Isn't it worth checking to be sure?

Your other concern should be whether you are getting maximum coverage for the premium dollars you are spending. Here are the main questions to ask yourself.

- Do you know which types of business insurance premiums are tax deductible and are you taking advantage of these deductions (e.g., premiums are paid directly by your pension or retirement plan)?
- Who are the current owners of your policies: you, your spouse, children, business, pension plan, or insurance trust? Based on your circumstances today, who *should* be the owners of the policies?
- How much money can you save in both income and estate taxes by changing the ownership of select life insurance policies?
- Have you considered *second-to-die* insurance on your and your spouse's lives to provide for young children and pay estate taxes? It's less expensive than the premiums on two whole life (permanent) policies.
- Have you considered an *insurance trust* for your spouse and children to provide for them and lower the value of your taxable estate?
- Have you effected a buy-sell agreement with other owners or executives that cashes in on your retirement, disability, or death? If so, have you considered *first-to-die* life insurance to fund the buy-sell agreement?
- Have you retained any *incidents of ownership* in your policies which can make the proceeds taxable to you and the value of the life insurance included in your taxable estate?
- Are you using your policies' dividends for maximum benefit? For example,

can you use the dividends to purchase additional life insurance or to reduce your annual premium outlay?

- Do any of your policies designate the company as beneficiary? If so, you should review the designation with your insurance broker. The insurance proceeds could be taxable income if and when the amounts are distributed by the company to your family or heirs.
- Do you have an *in-force illustration* on each policy which gives you and your family the status of the policy (e.g., cash value and loans) and projects the annual premium, dividends, and cash value increases?

* * *

If you are typical, there is much you can do to save money on your personal and business insurance premium dollars.

Make it a point to meet with your insurance advisers to review your insurance needs in the context of saving money and updating your insurance. Although time consuming, it should be well worth the investment. Your agent should be able to complete much of the information needed for the review. □

Your Options on Using Dividends

Dividends on life insurance policies are paid by an insurance company based on its mortality experience, expenses, return on investments, and its accumulated reserve account. In order to properly use your dividends, you must determine the amount that is being paid now or projected by the insurer and the options you have to receive or apply those dividends to another use.

The options available to most policy owners are as follows:

- #1.** Receive the dividends in cash. These dividends are usually considered a refund of premiums paid and normally are *not* reported as income for tax purposes.
- #2.** Use the dividends to reduce your annual premium outlay.
- #3.** Let the dividends accumulate at interest. While the dividends themselves are not regarded as current taxable income, the *interest* paid on them is taxable in the year earned, just like interest on savings accounts.
- #4.** Use the dividends to reduce outstanding policy loans.
- #5.** Use the dividends to buy term insurance in an amount equal to the cash value of the policy, then use the balance of any dividends for one of the options above.
- #6.** Use the dividends to buy paid-up additions to increase insurance coverage and the policy's cash value. *Note:* Dividends allowed to grow under this option are usually *not* taxable income in the year earned. They only become taxable for the amount that the cash value and dividends exceeds the total premiums paid if the policy is terminated, lapsed, or cashed in.

Note: Numbers 5 and 6 apply to the issuance of new life insurance policies. However, the options may be available in existing policies but usually subject to a medical underwriting. Check with your insurance broker; these options are particularly important if you need more life insurance coverage, e.g., your children

are young and you're the primary wage earner. In contrast, if your need for life insurance has decreased, you may wish to take the dividends in cash. □

Are the dollars you're paying out in premiums buying you the *most* and *best* insurance coverage available and at the *least* cost?

Part Two: Insurance Mistakes

How to Avoid These 14 Big Life Insurance Mistakes

- **Making Irrevocable Transactions**
- **Retaining Rights**
- **Terminating or Replacing a Policy**
- **Naming Beneficiaries**
- **Changing Ownership**
- **Switching Life Insurance**
- **Selecting an Insurer**
- **Specifying Settlement Options**
- **Conforming to Changes**
- **Complying with Corporate Laws**

You want the insurance proceeds received by your family to be tax-free and fully reflect your intentions.

Are You Undermining Your Life Insurance Protection?

Life insurance is an extremely important part of your financial holdings. It represents big cash tomorrow (the death benefit) for cash paid today (the premiums). It also provides critical protection for your family and dependents.

To reinforce the importance of reviewing your life insurance *today*, we have listed below the 14 biggest mistakes individuals and businesses make regarding life insurance. These mistakes and oversights can have a devastating impact on your heirs. But they're very easy to change or correct if identified in time. Review them carefully; simply circle the numbers that apply to your situation and discuss them with your advisers.

The 14 Deadly Mistakes

#1 — Making irrevocable transactions. Don't enter into irrevocable transactions without getting the advice of two experts. You don't want to give away something you or your spouse may need in the future. Nor do you want to give away assets to someone you may decide not to include on your list of heirs in the future. *The problem:* Once you transfer the ownership of a life insurance policy, you will need the new owner's approval to borrow from the policy, receive dividends, change ownership, or effect other important policy amendments.

#2 — Retaining rights. Avoid *incidents of ownership* where you retain certain rights (e.g., the right to change the beneficiary) over insurance policies and other properties given to family members. Retaining incidents of ownership may lead the IRS to decide you have *constructive ownership*. In that case, the income from those properties is taxable income to you and the value of the assets is included in your taxable estate.

#3 — Terminating a policy. If you are considering cancelling, replacing, or terminating a life insurance policy or annuity contract, be aware that part or all of the surrender value paid to you, including prior borrowings on the cash value, can be taxable income. That's usually the case if the total of the cash value, untaxed accumulated dividends, and loans exceed the total premiums paid over the life of the policy.

What to do: Request an “in-force illustration” from your insurance agent, which will show the current status of premium cost, dividends, and the annual increase in the policy’s cash value. Also included in the illustration will be projected premiums, dividends, and cash values. From this data, you will be able to make a more informed decision on whether to keep or cash in a life insurance policy.

Also very important: If you decide to “cash in,” replace, change ownership, or otherwise terminate or transfer a policy, get a letter from the insurance company in advance indicating the tax consequences.

#4 — Naming beneficiaries. Do you want to name *new* beneficiaries because the old beneficiaries have died or grown so wealthy that they have no need for the insurance proceeds? Perhaps your young, dependent children named years ago in a policy have become self-sufficient and you’d prefer to provide for your grandchildren’s education. Or, you may have overlooked an individual child or grandchild born after the policy was taken out. Have you specified contingent and tertiary beneficiaries in case of a common disaster or beneficiaries predeceasing you?

#5 — Changing ownership. Review the owners of all policies: the insured, beneficiary, another person, insurance trust, or your business. *Reason:* You may wish to change the ownership for tax reasons. If the ownership is in your name, it will be included as part of your taxable estate and subject to estate taxes at rates up to 49%. In contrast, if your spouse, children, or an insurance trust owns the policy, there is no estate tax payable on the insurance proceeds on your death since you don’t own the policy.

Caution: The proceeds from life insurance policies are included in your personal estate if transferred within three years of death. It's called the IRS' *contemplation of death* rule. In addition, the IRS could label the transfer a taxable transaction. So check with your insurance agent and accountant *before* transferring, selling, or gifting any life insurance policy to your family, business, or a trust, and follow the advice in #3 on the prior page if you plan to terminate a policy.

#6 — Switching life insurance. Before lapsing or surrendering a life insurance policy, make sure the new policy is in force and that any health problems have been fully disclosed. Otherwise, the new policy may be contested and you could find yourself without any coverage. This is particularly important when

replacing older life insurance policies with new policies since any new policy can be contested for two years after issuance.

#7 — Keeping insurance in force. Is there an “automatic” use of the policy’s borrowing power or accumulated dividends to pay the premiums in case the owner of the policy forgets to make a payment? If not, you should amend the policy to include this provision. It protects against the policy lapsing if you unintentionally miss a premium. Without this important provision, the policy will be reinstated *only* after you prove *insurability* during the period the premium wasn’t paid.

#8 — Selecting an insurer. Do not buy insurance or annuities from questionable insurance companies, brokers, or mutual funds. Check out their rating, investment performance for the last five and 10 years, and financial health before doing business with them.

#9 — Reviewing insurance needs and taxes. Are you still carrying the same coverage you took out years ago even though your children are now grown, your assets have increased, and your spouse has substantial support provided in your will or trust? Based on your circumstances today, who *should be* the owners and beneficiaries of the policies? How much money can you save in income and potential estate taxes by *changing* the ownership? Have you considered the fact that new and existing estate tax reductions and options may have *dramatically* reduced your life insurance needs and/or changed the type of insurance protection you should have now?

#10 — Determining type of insurance. What types of policies do you have: term, permanent (whole life), group, universal? Have you considered *second-to-die* insurance on your and your spouse's life to provide for your children and estate taxes on the death of the second spouse? Or *first-to-die* life insurance to fund a buy-sell agreement on the death of the first owner? Since the purposes of these policies are very targeted and specific, their cost can be substantially less than regular life policies on each person’s life.

#11 — Specifying settlement options. What are the settlement options that determine how and when the insurance proceeds are paid to your beneficiaries? All cash today or installments paid out equally over five or 10 years? Do you want

to change existing settlement options so that your heirs, especially younger children, don't collect all the money at once? Many taxpayers elect to pay out the proceeds to their heirs over 5 to 10 years, e.g., 10% to 20% a year, to encourage prudent spending. This is especially true if the amounts are large or the heirs young in age or impulsive in nature.

#12 — Using new or existing term insurance. Buying term life insurance is a wise move for many individuals. The premium can be much lower than permanent, variable, and universal policies and it can fill big gaps in one's overall insurance protection. However, term insurance is *not* permanent insurance, so you have to be very careful on how long you keep term insurance before converting the policy. You also must periodically review *existing* term policies so you don't overlook certain options which expire over time, e.g., your right to convert to permanent insurance.

Questions to ask: For how long is the term insurance convertible to permanent insurance — 5, 10, or 20 years? Is the life insurance effective to death or only to a certain age, e.g., age 65? Are the premiums guaranteed against annual increases? Is continuation of insurance coverage or convertibility to permanent insurance contingent on a medical exam? *Note:* Be careful; some term insurance policies *do not guarantee* the premium rate when the policy is converted. To obtain the guaranteed rate, a medical examination may be needed. If the exam reveals health problems, the premium on the converted policy could be substantially above the premium specified in your term insurance policy.

What to do: Call your insurance agent and get answers to the questions posed above. Also consider converting your current term insurance coverage to permanent insurance which usually does not require a medical exam. *Reasons:* You don't want any term insurance nonrenewable or cancelled by the insurer when you need it most. You also don't want substantially higher premiums later if you decide to convert the term insurance to permanent insurance. As a general rule, if you know you will be converting a term policy to permanent insurance, do it as soon as possible. That way, part of the premium goes to the build-up in the policy's cash value.

#13 — Conforming to changes. What about past tax legislation? Are your will and trust documents up to date? Is your life insurance coordinated with these documents so there are no overlapping beneficiaries, heirs, or money distributions?

#14 — Complying with business laws. Were corporate minutes required and completed for those business insurance policies that require them, e.g., split-dollar and key-executive insurance, deferred compensation? Does any insurance have to meet IRS nondiscrimination tests or top-heavy rules? *Reasons:* You don't want the life insurance proceeds to be taxable income *and* you don't want the tax deductions disallowed because of noncompliance with the IRS and tax laws.

* * *

If you are unsure of the answers to any of the questions posed in the Report, it's time to review your personal, family, and business insurance policies, coverage, ownership, and beneficiaries. That review should also include policies taken out on the lives of your spouse, children, and executives within the business. □

Part Three: Reducing Premium Costs

17 Ways to Reduce and Effectively Use Premium Outlays

The payoff for careful insurance planning can be considerable. When you reduce a premium, *it's not a one-time reduction*. The savings accumulate over all the years of coverage. On \$10,000 of annual premium payments, a 20% savings of \$2,000 that you implement today delivers \$20,000 savings over 10 years and \$40,000 over 20 years. And those savings are in addition to the interest earned by the money that's now in your pocket, not the insurance company's.

Here is a checklist of ideas to help you get the most insurance protection at the *lowest* premium cost.

Personal Ideas

- #1.** Reduce the amount of your life insurance if your need to protect dependents has declined or restructure its use, e.g., use a personal policy for business purposes, such as a buy-sell agreement, or designate your grandchildren or a charity as the beneficiaries instead of your grown children.
- #2.** If you're in good health, push for a *preferred rating* on new policies; the premium is substantially lower for each year the policy is in force. Furthermore, don't smoke. The added premium cost for smokers can be as high as 30%.
- #3.** Consider replacing old life insurance policies with new lower-cost term, permanent, variable, or universal life insurance policies but only *after* you determine the annual net cost of the older policy. You don't want to cancel a policy whose annual premium is completely offset by the dividend and increase in the policy's cash value. Also, don't replace or cancel an existing policy until the new policy is issued just in case the new insurer finds you uninsurable or will only issue a rated policy with a higher annual premium.
- #4.** Minimum deposit your life insurance if your cash flow is tight. That involves using your dividends and borrowing against the policy's cash

value to pay some of the premium. But be careful. Remember that policy loans must be repaid, including interest, or the amount owed will be subtracted from the death proceeds.

- #5. If you need more short-term life insurance to provide for children until age 21, consider buying inexpensive term insurance. But make sure the policy is convertible to a permanent policy just in case you need the insurance in future years for another use.
- #6. Refrain from buying credit or travel life insurance. The same amount of premium can buy you more permanent coverage in other policies.
- #7. Take maximum advantage of your policies' dividends. Collect them in cash, apply them to the purchase of more life insurance if that's an option, or use them to reduce your annual premium.
- #8. If you're *under*-insured or have a limited amount of money to pay premiums, consider buying term life insurance. You can convert the term insurance to a permanent policy later if your need for the life insurance becomes permanent.
- #9. Consider lower-cost, second-to-die life insurance on your and your spouse's lives to provide for your children and pay federal and state estate taxes if that is a potential problem.
- #10. Lower disability premiums by increasing the waiting period to receive monthly benefits. But be careful; while it reduces the cost, it also increases the need for personal resources to ride out the waiting period.
- #11. Don't purchase on-line life insurance without obtaining an illustration of the annual projected premium cost, dividends, and increase in cash value. Then review the illustration with your life insurance agent and accountant to determine the net cost of the insurance.

Business Ideas

- #12. To lower business insurance costs, look into split-dollar insurance for you and executives so the company is eventually reimbursed for all or most of the premiums it pays through its share of the policy's cash value.
- #13. Don't *over*-insure key executives; use a formula of three to four times their annual salary.
- #14. Have the company pay any premium for insurance coverage which is tax deductible. *Example:* Life insurance in retirement plans.

- #15. Use first-to-die life insurance to fund a buy-sell agreement covering more than one owner's life. It's usually less expensive than two whole life or universal policies.
- #16. Before purchasing new life insurance policies, shop around; get comparative cost data. The life insurance market is very competitive. But do select insurance companies with excellent industry ratings and comparatively high investment returns.
- #17. Check out insurance available through business associations. See *Exhibit* on the next page.

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What to do: The ideas are numbered; check off those ideas which are applicable to you, your family, and business. Then call your life insurance agent, accountant, and estate planner to discuss them.

On \$10,000 of annual premium payments, a 20% savings of \$2,000 implemented today delivers \$30,000 savings over 15 years.

Reduce Costs through Business Association Insurance

Always consider buying personal and business life insurance, including group insurance, from business associations. *There are several reasons:*

- They have a variety of business and personal insurance products to meet many of their members' needs, e.g., buy-sell, split-dollar, key executive, health, and disability insurance.
- The annual premium cost can be lower than on individual policies, and term and group life insurance usually can be converted to permanent insurance.
- Since the association's members represent a "group" of potential insureds, you may find that the requirements for *proving insurability* are less than on individual policies. That can be a significant advantage if your health is not good.

What to do: Request information on your association's personal and business insurance programs. Decide what additional coverage you need and what current coverage you can replace at a lower cost. Your association's insurance representative will help you prepare comparative cost data for *both* new and replacement insurance policies. □

About *The Business Library*

This **Report** is part of *The Business Library* (TBL), a collection of 90 Reports and Manuals on subjects of critical importance to business owners, executives, their families, and the professionals who advise them. TBL is produced by an editorial and research staff with an *average experience* of **30** years in helping businesses and individuals manage their finances better.

The company was formed in 1974 by Thomas J. Martin. Martin has written more than 900 articles and advisories and presented *hundreds* of workshops and seminars to *thousands* of business owners and executives on many of the subjects covered in *The Business Library*. He is an Investment Banker and an expert witness in Valuation and Succession Court Cases. He has helped *hundreds* of business owners and executives raise capital, refinance debt, prepare for succession, and value and sell their businesses.

The information in *The Business Library* has helped more than 300,000 business owners, executives, entrepreneurs, investors, and individuals manage their companies and finances better, using several million copies of our reports, manuals, advisories, books, seminar workbooks, and newsletters to guide them in their business and family planning.

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