

IN THE

KNOW

Life Insurance Rescue

By Dan Kuczek, LUTCF

The Problem

If you purchased any form of cash value life insurance policy (universal life, variable life) years ago, your cash value may be running on empty, leaving your policy in danger of lapsing and you and your family without protection. Many people bought these policies based on projected cash value accumulations with much higher rates of return throughout the life of the entire policy. Some of the policies were marketed with vanishing premiums, projecting payments for the cost of insurance to be made out of the cash values once they had risen to the point where the policy would pay for itself perpetually. What most people didn't know was that despite minimum guaranteed rates of return, the cost of insurance in many of these policies would also increase when guaranteed minimums were put in place, thereby further degrading cash values. Many policies now are on automatic pilot waiting for imminent lapse.

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What are your options and what options are good solutions?

- Increase your premium payments to your existing policy to augment cash values and prevent lapse. This isn't necessarily a solution, but it is an option, even if only a band-aid.

- Terminate your policy, take your remaining cash value, and start over. Be prepared to pay a penalty on your cash value distribution for interest accumulations or gains on a tax-deferred basis prior to age sixty-five.
- Change the policy to extended term paid out of the remaining cash value. However, will you still need coverage when the term expires? If so, will you be healthy enough to qualify, and at what rates?
- Lower your death benefit to extend the policy period based on slowing the cash value deficiency. However, will lowering the death benefit still meet your needs?
- Consider moving remaining cash value via a qualified IRS 1035 exchange to another policy with a guaranteed death benefit even if the cash value drops to zero with minimum premium payment options.

Whatever you do, re-evaluating your current policy and coverage based on your current needs should be your primary concern.

Dan Kuczek brings 20 years of experience to his clients. He has worked in multiple areas of the insurance industry, including both the agency and company side. He is a graduate of Western Michigan University. Dan has earned the designation of Life Underwriting Training Council Fellow.

We're here for you.

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