

# The Importance of a Life Insurance Review

For many people, the need to buy life insurance comes during a “triggering event” in one’s lifetime. This may include getting married, divorced, having a child or taking on debt. It is during these moments that we realize the importance of replacing lost income for those we love after we are gone.

It is important to remember, however, that life insurance is not only a resource used to replace income, but it may be a key piece of one’s overall wealth transfer strategy. As an example, for those estates that may be subject to estate taxes, finding the resources to pay for the taxes can be problematic. Beneficiaries may find themselves without the liquid funds available to pay the taxes, which might require them to sell assets of the estate to meet their tax obligations. Structuring life insurance appropriately and coordinating it as part of an overall estate planning strategy may help individuals accomplish their estate planning goals.

Regardless of why individuals purchase life insurance, it’s critical to review when they purchased the insurance, why they purchased it and what may have changed since the time they purchased the policy. For example, one may have purchased life insurance 10 years ago for the purpose of leaving a loved one a legacy, but due to the type of policy and how it performed, the death benefit may now be worthless. It’s also not uncommon for people to accumulate and fund multiple policies over a lifetime but not update the ownership and beneficiary information and life evolves. This could result in the distribution of the life insurance proceeds to unintended recipients.

That is why it is critical to periodically conduct a life insurance review with your advisor. Unforeseen events in our lives, ranging from divorce to bankruptcy, can have devastating effects on how our beneficiaries are supported after our death. Tax and estate planning laws change frequently and may have unforeseen impacts on older policies. A simple review of your policies could mean the difference between assets reaching your loved ones or being frozen in probate court.

At First Point Financial, we have the expertise to review your current life insurance policies to help ensure you have the appropriate coverage based on your objectives. We encourage you to discuss with your advisor your insurance policies and the role they play as part of your overall financial plan.



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