By Daniel L. Henry
Published in the former *South Fayette & Neighbors Magazine*
SEPTEMBER 2006

Daniel L. Henry is a Vice-President with Henry Wealth Management, LLC, an independent financial services firm located in Bridgeville, PA. He serves as the firms Insurance Specialist and is a licensed insurance agent. All guarantees are based on the claims-paying ability of the insurance company. This article contains fictitious names and does not represent any particular person or entity. It is for illustrative purposes only.

Should I appraise my Life Insurance?

In previous issues, we have discussed the importance of life insurance as part of an overall financial plan. We like to refer to it as the "defense," while investments are the "offense" and tax and estate planning are the "special teams." Once established and the insurance is secured, isn't the process complete? Not by a long shot!

Life insurance is a very complex financial instrument – more so than most policyholders and their advisors tend to realize. Indeed, life insurance has traditionally been viewed as a static asset that could comfortably be ignored once adequate coverage was obtained. That perception, in many cases, has created a large gap between the insured's expectations and actual policy performance.

Here is why we routinely "appraise" life insurance policies:

1. PEOPLE CHANGE

Think about all of the changes that have occurred in your life in the past 10 to 15 years. Have you seen changes to your health, net worth, dependents, etc? Life has taken us down a unique road that we may not have predicted. Goals and objectives long ago established must continue to be reviewed and updated. Has your life changed?

2. PRODUCTS CHANGE

In the high-flying 1990s, many people purchased "variable" life insurance policies. The value of these policies would fluctuate with the underlying investments which in good years helped offset the cost of insurance and provide a return on investment. In the bad years that followed however, many policyholders were awakened to the fact that their policies were under-funded and not likely to provide the death benefit for as long as they had planned.

Insurance companies have responded to this uncertainty with a new type of product which "Guarantees" a death benefit past the age of 100 for a fixed premium. Known in the industry as "No Lapse Guarantee", these policies are sought by individuals who desire to have "certainty" with their life insurance without the risk associated with the "uncertainty" of the investment portion of their policies. Are you aware of how long your life insurance is "Guaranteed?"

Henry Wealth Management, LLC
1370 Washington Pike, Sute 403
Bridgeville, PA 15017
Phone: 412.838.0200
Fax: 412.838.0204
E-mail: Admin@HenryWealth.com
Www.HenryWealth.com

HENRY
WEALTH MANAGEMENT, LLC
A Member of the Fusion Advisor Network

3. INSURANCE COMPANIES CHANGE

Life insurance companies have undergone widespread changes in corporate structure, including mergers and acquisitions. In some cases, the result has been greater efficiencies creating lower prices in newer issues. In other cases, the impact has not been positive. Reviewing the "current" financial integrity of your insurance company will provide an indication of whether or not it has the stability and ability to meet its ongoing obligations. Is the policy which you currently own still held by the company you originally purchased, and are they financially secure?

4. PRICING CHANGES

Advances in health care combined with healthier lifestyles have contributed to longer, more productive lives. The life insurance market monitors these changes, and due to its competitive nature, often "adjusts" pricing models downward. Think about the rush to refinance home mortgages when rates drop. Life insurance is no different. An astute planner will evaluate these industry changes, and notify policyholders when an opportunity to improve their present coverage exists.

Life insurance, often the asset which creates the largest portion of estate transfers, simply must be monitored. Start with an independent planner who is not restricted with the products they can offer. Policyholders need to be aware of all of the best policies available, not just the policies that the traditional agent can offer.

Whether acting as an individual, or a fiduciary with legal responsibilities to monitor assets and insurance, the stakes of having an estate and insurance plan which does not meet its original intent can have ramifications for generations to come.

Payments of guaranteed principal and income, as well as living and death benefit guarantees are contingent upon the claims-paying ability of the issuing company. Guarantees do not apply to the investment performance or safety of the underlying subaccounts in the variable annuity. Optional living and death benefits are available for an additional fee and may not be available in all states. Investors should consult with their own professional advisor regarding the potential tax, estate, and legal considerations that may arise in connection with entering into a life settlements transaction. Proceeds from a life settlement transaction may be taxable under federal or state law to the extent the proceeds exceed the cost basis. The proceeds from a life settlement transaction may be subject to claims of creditors. The receipt of proceeds from a life settlement transaction may adversely impact eligibility for government benefits and entitlements. The amount received for the sale of the Policy may be impacted by the circumstances of the particular purchaser of the Policy, the insured's life expectancy, future premiums, the death benefit, the terms of the Policy, and the current market for insurance policies, among other factors. The amount received for the sale of the Policy may be more or less than what others might receive for the sale of a similar policy. There may be high fees associated with the sell of a Life settlement.

Henry Wealth Management, LLC
1370 Washington Pike, Sute 403
Bridgeville, PA 15017
Phone: 412.838.0200
Fax: 412.838.0204
E-mail: Admin@HenryWealth.com
Www.HenryWealth.com

HENRY
WEALTH MANAGEMENT, LLC
A Member of the Fusion Advisor Network