

LIFE INSURANCE A CRUCIAL COMPONENT IN YOUR PORTFOLIO

AT FIRST GLANCE, most people buy life insurance to replace income, pay off a mortgage, or provide an asset base for loved ones in the event of death of the primary income earner. Some investors believe that once you achieve a certain level of wealth, you no longer need life insurance. However, life insurance is a tool that may help you to achieve many other important goals such as preparing for the unexpected; not being a burden to your family; preserving your family's lifestyle; minimizing taxes; providing a lasting legacy; and funding educational and charitable goals.

HERE ARE TEN REASONS WHY LIFE INSURANCE MAY BE CONSIDERED A CRUCIAL COMPONENT IN THE PORTFOLIOS OF WEALTHY FAMILIES:

1. LIQUIDITY WHEN HEIRS MAY NEED ACCESS TO CASH

Death benefit proceeds from a life insurance policy are not required to go through the probate process, which means the cash passes directly and quickly to the beneficiary, thus creating a pool of liquidity which may be utilized to pay estate tax obligations and/or for immediate cash needs.

2. SHARE WITH FAMILY, NOT THE GOVERNMENT

Not only does the death benefit offer immediate liquidity to heirs but when structured properly, it is also free from income and estate taxes. Owning insurance in a trust may provide family assets that extend for several generations free of future estate taxes.

3. IMPROVE THE TAX EFFICIENCY OF YOUR PORTFOLIO

Funds within a permanent life insurance policy may potentially grow tax-free. In addition to the income tax advantages, certain policies may offer a consistent, reliable and competitive return as compared to other investment vehicles.

4. MAINTAIN BUSINESS CONTINUITY

Many business owners use insurance to fund a buy/sell agreement to ensure their business continues in the event a partner passes away unexpectedly. Key Person life insurance may facilitate continuity when a family business relies on a designated person for its survival. In such situations, the policy provides liquidity or cash flow to help the business transition to a new management structure.

5. EASY DIVISIBILITY

Life insurance proceeds are much easier to divide among heirs than other illiquid assets, such as real property, art or business interests.

LIFE INSURANCE CONTINUED

6. DIMINISHED RELIANCE ON LENDERS

One of the more powerful benefits of permanent life insurance is that you may access the cash value at any time. Policy loans and withdrawals have no application, collateral, credit reporting, or fixed repayment schedule requirements.

7. BENCHMARK FOR FUTURE INVESTMENT OPPORTUNITIES

The internal rate of return on your insurance can serve as a benchmark with which to measure the risk/return of other investments.

8. ASSET PROTECTION FROM CREDITORS

When owned personally, cash values from a life insurance policy are protected from creditor claims in most states.

9. EARNINGS DON'T COUNT AGAINST SOCIAL SECURITY TAX

Unlike most taxable income (and even tax-free municipal bond interest), earnings inside life insurance will not increase the tax liability on your Social Security income.

10. NO CONTRIBUTION RESTRAINTS

You may contribute as much as you like, as long as the policy qualifies with IRC section 7702A(b) as insurance. Unlike other savings vehicles, there are no minimums or maximums as long as it is correctly constructed. Therefore, you are only limited by the amount of the death benefit your provider is willing to offer.

ONE CANNOT OVERSTATE the important role insurance can play in any financial plan, no matter where you might be on the financial spectrum. Without adequate protection and the appropriate policy features, your financial future could be in jeopardy. Failing to plan properly could mean risking your legacy. Your hard earned wealth could be greatly diminished by onerous estate taxes, or your heirs could be burdened with liquidity or business continuity issues.

United Capital Risk Management, LLC (UCRM) makes recommendations based on the specific needs and circumstances of each client. UCRM does not provide legal, accounting or tax advice. Investors should consult their tax professional with questions about their particular circumstances. IRS Circular 230 Disclosure: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this document is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing or recommending to another party any transaction or matter that is contained in this document. UCRM is an insurance agency and a subsidiary of United Capital Financial Advisers, LLC (United Capital).

The information contained in this article is intended for information only, is not a recommendation, and should not be considered investment advice. Please contact your financial adviser with questions about your specific needs and circumstances. United Capital does not offer tax or legal advice; therefore this article should not be taken as such. Please consult legal or tax professionals for specific information regarding your individual situation. Estate planning involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning attorney before implementing any strategies. Any guarantees and protections are subject to the life insurance company's claims-paying ability.

Life Insurance Products:

* Not a Deposit * Not FDIC-Insured * Not Insured By Any Federal Government Agency * Not Guaranteed By Any Bank Or Credit Union * May Go Down In Value