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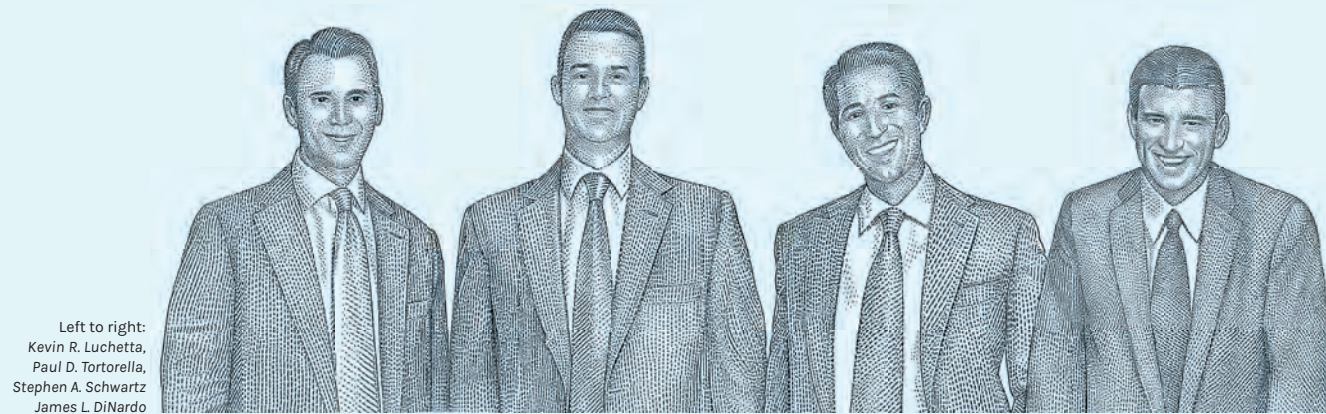
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What role can whole life insurance play in my financial plan?

BY KEVIN R. LUCHETTA, CFP®, AEP®



Left to right:
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FINANCIAL SERVICES EXPERIENCE

Kevin, 19 years
Stephen, 16 years
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ASSETS UNDER MANAGEMENT

\$1+ billion

COMPENSATION METHOD

Asset-based fees and commissions (investment and insurance products)

PRIMARY CUSTODIAN FOR INVESTOR ASSETS

Accounts held at Northwestern Mutual Investment Services LLC, an introducing broker-dealer, member FINRA, SIPC. Accounts carried, and all transactions executed, cleared and settled through Pershing, A BNY Mellon Company, member FINRA, NYSE and SIPC.

PROFESSIONAL SERVICES PROVIDED

Financial planning, investment advisory, risk-management and money-management services

MINIMUM FEE FOR INITIAL MEETING

None required

MINIMUM NET WORTH REQUIREMENT

\$1 million

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oo often, advisors offer a perspective along the lines of, “This product is good; that product is bad,” or, “This annuity is too expensive; that investment is too risky.”

What I’ve learned during many years of planning with families, however, is that what people really want to know is, “How could this work for me?” At the end of the day, when they’re considering whether or not to incorporate whole life insurance into their financial plan, what clients want to understand is, “What value can this tool provide for me and my family?”

Here are some of the core reasons clients give us for why they value whole life insurance, the simplest form of permanent life insurance:

Permanent death benefit and guaranteed premiums: Whole life insurance can never be cancelled as long as premiums are paid; your death benefit is guaranteed; and premiums can never increase. For many people, it is important to have some life insurance coverage for their family that will outlast their term life insurance and never expire. Guaranteed premiums also allow people to create stability in their financial plan without having to worry about changes in the future.

Tax advantages for long-term safer dollars: Many of our clients use whole

life as a segment of their overall financial plan. Many top mutual insurance companies have general account portfolios in excess of \$100 billion, which allows policyholders to “tag along for the ride” and participate through their policy performance over time. For this reason, it is particularly important to choose a high-quality mutual life insurance company when starting a plan.

Another major benefit that whole life insurance provides is its tax advantages. The majority of our clients are high-income earners. They unwillingly become Uncle Sam’s best friend, by losing a significant portion of their compensation and investment earnings to taxes. With whole life insurance, death benefits are generally not subject to income tax. Cash values grow completely tax deferred. And, you can withdraw your basis from the life insurance contract and take policy loans, also tax-free as long as there is sufficient cash value. Withdrawing cash value through surrenders or

college education, retirement income or any other financial objective.

Many choose not to use their cash value and instead leave their full death benefit to their heirs. Knowing that they will have something to leave behind as a legacy, they feel more empowered to use their retirement savings for themselves. For those with estates above the lifetime exemption, permanent life insurance plays a vital planning role, providing much needed liquidity for estate taxes and flexibility for more complex estate planning.

It is important to remember that financial planning should be a holistic and comprehensive process. There is no silver bullet, and whole life will never be a cure-all. That being said, there are unique benefits that whole life can provide, and it is often worth considering as one piece of an overall financial plan. Over time, when clients see how their whole life insurance matures, they often wish they had committed earlier, and committed to purchasing more. ●

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policy loans will decrease the death benefit. Policy loans will also accrue interest that will need to be repaid.

Optionality: Whole life insurance particularly rewards those with foresight about, and an understanding of, how valuable optionality will be down the road. At first, whole life provides the insurance necessary to protect families from the unexpected. As time progresses, the tax-deferred cash value growth this insurance offers gives those families the option to use this asset for emergencies,

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Pioneer Financial's team of 20 associates/staff serve clients nationwide from their Park Avenue office in New York City. Kevin R. Luchetta, Stephen A. Schwartz and James L. DiNardo are wealth-management advisors and CERTIFIED FINANCIAL PLANNER™ practitioners. The practice is focused on assisting clients through comprehensive financial planning that includes asset management, retirement funding, risk management, estate preservation and distribution. ●



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