

## Are You Playing Life Insurance Russian Roulette?

April 29, 2020

By: Robert I. Rabinowitz



We devote this last investor tip of Investor Awareness Month to our clients and friends (and particularly their parents), who have purchased a life insurance policy over the past twenty to thirty years.

Many people purchased a life insurance policy with the understanding that in the event of their demise, a Guaranteed tax-free sum of money will be available to their heirs; however, many people are unknowingly sitting on a ticking time bomb!

But not all policies are the same! Universal life, Variable life and Indexed life policies are NOT Guaranteed whole life. Whole life is usually more expensive, however, the insurance cost and interest rates are guaranteed and some companies, although not guaranteed, pay an additional benefit to its policyholders called dividends. As long as you pay your premium, you will not lose your coverage.

### Other Types of Life Insurance Policies

With other types of policies, even though they appear to be less expensive, they shift the risk of expenses, mortality risk, interest rate risk and stock market performance to you and away from the insurance company. If the hypothetical assumptions on which your policy is based don't work out, the insurance company reserves the right to increase your premiums, or even use any built up savings within the policy to pay the premiums.

As you get older, the internal costs (fees) of maintaining these policies can increase. Even if you've never missed a premium payment, your policy can lapse if you don't pay the higher premium. As a result, you can lose your life insurance protection, when your older and you and your family need it most. To add insult to injury, this might also be a taxable event.

Speak with your insurance specialist and request that they provide you with an “in force ledger”, which is a computer-generated illustration of the cash value life insurance policy’s current, projected, and guaranteed values. At Becker, with the assistance of industry professionals such as Mark Lowe, we’ve helped many clients and their families navigate these important “investments” issues. Call our investment specialist attorney, Robert Rabinowitz for more information. If you have a specific insurance question, you should reach out directly to Mark Lowe at (732) 212-5018.

Mark Lowe is is a broker with Park Avenue Securities, LLC and a licensed insurance agent with the Guardian Life Insurance Company of America. He is also a Certified Financial Planner with the CFP Board and Chartered Financial Consultant.