B.I.G. ASSESSMENT PROGRAM

SECTION I

CONSUMER GUIDE

Best Ideas Group

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IS YOUR CURRENT LIFE INSURANCE POLICY PERFORMING ACCORDING TO YOUR FAMILY'S NEEDS?

As you adapt to life's constant changes, your life insurance policy may need to be adjusted too...

Like many industries, the life insurance industry has undergone various changes over the past several years. With interest rates at historical lows and many equity markets having performed below their historic norms, the returns of many permanent life insurance policies are much lower than originally projected. As a result, reviewing current life insurance policies now is even more critical than before. Additionally, a new generation of life insurance products has made its way into the market offering lower mortality charges, lower company expenses and low cost guarantees.

Changes in the investment climate in the last few years may or may not have negatively affected the performance of your life insurance policy. Often times, the effects will not be realized until many years later. Accordingly, it is critical that your policies be reviewed now to ensure that your existing policies continue to meet your insurance objectives for years to come.

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WHEN TO CONSIDER A POLICY REVIEW?

Life Events

Life is full of events that arise unexpectedly, changing your lifestyle and making you re-evaluate what's most important. As a result of these life changing events, a periodic review of your financial plan and insurance is needed to evaluate whether goals and objectives have varied or have been affected.

Some of these events may include:

- Marriage / Divorce
- Birth / Adoption of Children and Grandchildren
- New Job / Lost Job
- Starting a New Business
- Entering or Approaching Retirement Age
- Received Inheritance or Settlement
- Health Improvement
- Recession / Expansion
- Market Fluctuations
- Inflation - (Erosion of Death Benefit Value)

Industry / Policy Changes

As healthcare needs have changed and life expectancies have increased, life insurance companies have been offering more attractive policy features and the cost of insurance has generally decreased. As a result, a new policy may provide you with benefits that are not available with your current life insurance and the cost for such a policy may be very affordable compared to the current premium requirements of your existing policy.

It is time to review your life insurance portfolio, if:

- Your current policies are older than 5 years, due to the following improvements of newer policies:
  - Lower Cost of Insurance Charges
  - Better Guarantees
  - Improved Riders (such as Disability Income, Long-Term Care)
- Current interest crediting rates on existing policies are much lower than those originally illustrated
- Loans, withdrawals, or changes in premium payments have affected the policy's performance
- Insurance company ratings may have changed and may no longer fit your risk tolerance

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FACTORS WE CONSIDER THROUGHOUT **BAP**

Underwriting Re-classifications
Medicine and technology advances have significantly impacted life expectancy throughout the years, allowing life insurance companies to consider these improvements in pricing their products. Medical histories that were previously considered highly rateable could now be a standard risk classification. Advancements in treatment of chronic diseases like diabetes, heart disease, cancer and other medical problems, have allowed carriers to consider underwriting clients that may have been declined or poorly rated in the past. ***BAP*** evaluates your current policies and medical profile to determine if an underwriting reclassification is available.

Volatile Interest Rates
Fluctuating interest rates may have impacted your policy's crediting rates and dividend scales, causing your policy to fail to meet previously illustrated projections.

Changes in Product Expenses / Charges
Cost of insurance charges can be changed without notice by the insurance company even after the policy is issued, directly impacting the projected values illustrated at the time of placement.

Product Enhancements
To remain competitive within the industry, life insurance carriers have enhanced their product offerings, including unique riders that offer living benefits that did not exist 5 years ago. Newer life insurance products have integrated living benefits which, on a tax-favored basis, can accelerate the death benefits for long-term care needs and terminal, chronic and/or critical illnesses. Replacing or purchasing additional coverage with these living benefit riders may help you better achieve your financial planning objectives.

Planning Goals and Circumstances
Periodic review of your life insurance policies is an essential part of ensuring that your financial and legacy planning objectives and needs are being met. The ***BAP*** process reviews current life insurance needs relative to the goals and objectives at the time of the original purchase and helps you determine whether your existing insurance portfolio is keeping up with your evolving goals and objectives.

Changes in Tax Law
Changing tax laws can affect the amount of insurance you need in the future and/or the type of insurance you should consider owning. With the tax advantages provided by cash value life insurance, increasing tax rates make life insurance a more attractive supplemental retirement vehicle now more than in the past.

Policies in Danger of Lapsing
Older contracts may have been illustrated with assumed interest crediting rates as high as 12%. Recent economic conditions have forced insurance carriers to lower these crediting rates substantially, resulting in under-performing policies that could lapse, leaving you without needed death benefit protection.

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WHAT TO CONSIDER BEFORE REPLACING CURRENT COVERAGE?

The IRS generally allows the replacement of a life insurance policy on a tax-free basis, but there are some important reasons to keep an existing life insurance contract.

- Adverse health changes
- Tax consequences (especially for policies originally purchased prior to 1988)
- New contestable period and suicide period (an insurance company may contest a death claim on a policy within the first two years of placement and can deny a claim from suicide within those two years)
- Existing loans
    - Some policies offer favorable loan interest rates or 'zero spread' loans after a policy has been in-force for a period of time
    - Transferring existing loans to a new policy may be limited to a small number of life insurance companies
- New acquisition costs – new life insurance contracts contain sales charges and acquisition costs that must be recouped. Older policies may have already absorbed these charges.
- Guaranteed Crediting Rates – there may be a higher guaranteed minimum interest crediting rate on an older policy.

Other situations that necessitate a policy review

- When reviewing wills, trusts and power of attorney documents to ensure the policy values coincides with estate planning objectives
- Ownership and beneficiary designations may need to be updated as personal situations, needs and financial obligations have changed over time.
- For business policies used for Buy-Sell Agreements, Key Person Plans, and Executive Bonus Plans, periodical reviews need to be performed to maintain the integrity of the business progression and executive benefit expectations.