



# YOUR FINANCIAL FUTURE

## Your Guide to Life Planning

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## Life Insurance: A Flexible Wealth Management Tool

Today there are as many types of insurance as there are risks. That is why a diversified insurance portfolio should be a vital part of the wealth management process. When structured properly, an insurance portfolio can be a powerful risk management tool, offering a range of protections for you, your family, and/or your business.

### Many Applications

Over the years, life insurance has been used to fulfill many personal and business needs.<sup>1</sup> Perhaps the most common use for life insurance is to provide a surviving spouse, children, or other beneficiaries with the replacement income necessary to maintain a standard of living, repay debt, and fund education costs.

Life insurance can also be used as a tool to transfer wealth to heirs. Aside from the obvious advantages of a death benefit, insurance proceeds could come in handy if your estate is valued at more than \$5.43 million -- or nearly \$11 million for married couples -- the amount above which would be exposed to federal estate tax. Taxable estates often include illiquid assets, such as real estate and business interests. In those instances, life insurance may be used to pay any estate tax owed, thus preserving the assets intended for transfer to heirs.

### The Trust Factor

When a life insurance policy is owned and controlled by an irrevocable trust, the death benefit is not considered part of the insured's estate for tax purposes. In this way, an irrevocable trust can be an ideal way to provide for beneficiaries without subjecting the proceeds to estate tax.

Business owners frequently incorporate life insurance into plans aimed at helping the business survive a change of ownership or the loss of a partner, top executive, or other key employee. Life insurance also can be used as a supplemental benefit to retain or attract key employees and executives.

### Life Insurance Outside the Box

In addition to the above-mentioned strategies, life insurance also can be used in the following broader applications.

As an alternative asset class -- Life insurance can provide an investment alternative to lower-yielding assets, such as those invested in fixed-income portfolios. Insurance may generate higher internal rates of return on an after-tax basis, but past performance is not a guarantee of future results.

To achieve charitable goals -- Life insurance has become a good choice for funding charitable trusts and annuities. A charitable trust can help you create a current income stream for yourself, your family, or a charity and help you transfer wealth to either your heirs or a charity when you die. In addition, designating your life insurance proceeds to a charitable trust removes them from your taxable estate.

Insurance is an often overlooked, but critical, component of wealth management and estate planning. Work with your financial advisor to address this important component of your overall wealth plan.

This communication is not intended to be tax and/or legal advice and should not be treated as such. Each individual's situation is different. You should contact your tax/legal professional to discuss your personal situation.

<sup>1</sup>Life insurance policies are subject to substantial fees and charges. Death benefit guarantees are subject to the claims-paying ability of the issuing life insurance company. Loans will reduce the policy's death benefit and cash surrender value, and have tax consequences if the policy lapses.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

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