

# WEST SIDE NEWS

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## Your Money, Your Business

*By Susannah Smith*

### Life Insurance: The Forgotten Asset

In these trying economic times, many people are reevaluating their asset allocation and searching for ways to rebuild their net worth. There is heightened sensitivity when it comes to cost-benefit and risk-return analysis, and yet life insurance is often overlooked. The following facts could change the way you view this particular asset...

First, the cost of life insurance has decreased significantly over the last several years. This is difficult to understand because it applies to NOTHING else

we purchase, but there it is. This means that if you were to reapply for coverage today, you might be able to lower or eliminate your premiums, increase your death benefit, or both. It also means that by leaving your policy alone, you are likely overpaying for it.

Second, many older Whole Life policies have accumulated cash value. A common misconception is that this cash is added to the death benefit and distributed to the beneficiaries. In reality, this money could be forfeited when the death benefit is

paid. Thus, unless you have a need for the cash (at which point you could take out a loan against the policy and pay interest on your own money!), leaving it alone is reducing the risk to the insurance company.

Finally, many people are shocked to learn that not all policies are guaranteed. Policy projections are based on interest rates or market performance, i.e. they are constantly changing. This means that non-guaranteed policies could either lapse before the insured's death or require exponentially higher premiums. Should you be unwilling or unable to pay these premiums, the death benefit and any accumulated cash value could disappear. In short, resources allocated to your life insurance will not have been put to their highest and best use.

An insurance review is a great way to determine if there is a better product available to you. If your existing

agent hasn't offered this service, a call to a licensed professional that is not tied to any particular insurance carrier might be a great place to start. Many favorable outcomes could come as a result. You could find that you can reduce your premiums and increase your death benefit. You could find that your cash value is enough to purchase an appropriate amount of paid-up life insurance, thus reducing your cash outflow. Perhaps you no longer have a need for the amount of insurance you purchased. Perhaps you need more. Or maybe the financial stability of the insurance carrier has declined, or the owner or beneficiaries of your policy need updating. Whatever the outcome, a review is a great way to make sure your insurance program is aligned with your objectives.

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