

# ADVANCED MARKETS INSIGHT

## The Importance of Life Insurance Policy Reviews

Life insurance is an important part of an overall financial plan. Regular life insurance reviews performed by an experienced professional can determine whether the policy is performing according to expectations and meeting financial objectives.

There are many factors to consider that may impact the performance and suitability of a life insurance policy. It is important to review and determine that both product and planning objectives are being met. Some of the most significant reasons to conduct regular life insurance policy reviews include:

| Product Considerations                            |  |
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| Policy Funding Adequacy                           | Policies that have been underfunded may require additional premiums, adjustments to the benefits, or other corrective action. Overfunded policies may require fewer premiums.  |
| Loans and Withdrawals                             | Lifetime distributions from permanent cash value life insurance products will affect policy performance. Periodic monitoring and review is essential to help ensure policies are meeting the intended objectives and to help avoid unexpected tax consequences.  |
| Crediting Rate and Charge Assumptions             | Life insurance policies are illustrated under certain assumptions that may change over time, both positively and negatively. This may impact policy performance.   |
| Product Enhancements                              | New product types, features, and riders may provide increased planning opportunities.  |
| Policy Maturity                                   | Older life insurance policies may have a maturity <sup>1</sup> date of age 95 or 100. A policy review can help mitigate this problem.  |
| Favorable Tax Treatment on Exchanges <sup>2</sup> | Life insurance is a unique asset that receives special treatment under the Internal Revenue Code. If an opportunity exists to improve on an existing life insurance policy, in most instances, a permanent life insurance policy may be exchanged, allowing the policyowner to obtain a new permanent life insurance policy while continuing to defer income taxation on any accumulated gain. |

| Planning Paradigms              |   |
|---------------------------------|---|
| Changes to Needs and Objectives | Risk tolerance can change over time and life insurance should be reviewed periodically to make sure the product type and design continues to be appropriate. Additionally, it is important to review policy ownership and beneficiary designations to ensure the objectives of the life insurance policy will be met. |
| Regulatory Changes              | State and Federal laws change over time and may impact planning objectives and results.   |
| Carrier Financial Strength      | Like other major financial institutions, life insurance companies are reviewed by rating agencies to analyze strength and stability.  |
| Medical Advances                | Improvements in how conditions are detected and treated may impact the underlying mortality assumptions used to price life insurance products. Newer products may provide superior overall financial performance.   |

1 Coverage terminates and the cash value is paid  
 2 Section 1035 of the Internal Revenue Code

*M Financial Group's Advanced Markets Insights are designed to help clients understand sophisticated planning strategies and their applications.*

*M Financial Group continues to lead the industry in insurance due care and client advocacy, providing valuable insight and analysis that delivers significant value to clients.*



## Life Insurance Trusts

Life insurance trusts are frequently utilized as a part of sound planning. As with any other asset held in trust, the Trustee of a life insurance policy has a fiduciary responsibility to review trust owned life insurance and ensure that policies are performing adequately.<sup>3</sup> Failure to do so may result in litigation for which the Trustee is personally liable. Trustees may seek the services of an insurance specialist for this purpose, who can help to evaluate the performance of the policies and advise on appropriate actions. In addition, an insurance specialist can help the Trustee in assessing the current level of life insurance protection and whether it provides the appropriate amount of coverage necessary to meet the trust's financial objectives.

## Working with M Financial Group Member Firms

M Financial Group Member Firms are the insurance industry's most successful, made even stronger by their association with each other. Member Firms are carefully chosen elite leaders in the industry, and are committed to serving the ultra-affluent and corporate markets in the most ethically responsible and strategically sound manner.

M Financial has a 35-year history of shaping the future, using collective influence to drive industry trends, lead product innovations, initiate service enhancements, and ensure that the benefits are passed on to existing and new clients. Today, Member Firms have exclusive access to more than 25 proprietary products from six of M Financial's Partner Carriers, as well as a private placement product offered through a consortium of carriers. M Financial's collective buying power and superior experience of the ultra-affluent (mortality, persistency, and policy size) result in exclusive pricing for proprietary products available to Member Firm clients.

Member Firms are experts in dealing with the complex issues that face ultra-affluent clients. Working with the experienced professionals of a Member Firm to perform policy reviews can help ensure planning objectives are being met.

## For More Information

For more information, please contact:

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<sup>3</sup> Uniform Prudent Investor Act (UPIA)