



# THE BIG PICTURE

## How Life Insurance Can Meet Your Client's "Global" Goals

BY ANGELA WETHOR, CPA

**G**lobal planning is a strategic process that steps back and takes an overall look at where and how financial resources need to be allocated in order to achieve defined goals.

By getting to know a client's long-term financial objectives, life insurance representatives can educate the client on how to use different kinds of insurance to meet various goals. For example, a client with Medicare and long-term care insurance, insurance inside an irrevocable life insurance trust (ILIT) for the benefit of the family, a business exit plan and a charitable trust may still need additional life insurance to help the family pay final expenses.

### **The Client**

Marie, nearing retirement, is a widowed mother of four. She is the sole owner and president of a successful family business. Her estimated net taxable estate is significant.

### **The Client's Global Goals**

Marie tells you she has three wishes:

- To leave her family an inheritance (which in Marie's mind is the value of

the family-owned business).

- To give her alma mater enough to create a foundation that will offer scholarships for young female entrepreneurs.
- To make sure her children are not burdened with final expenses.

Initially her goals may seem overwhelming; however, with proper planning, including life insurance, her multifaceted legacy may be realized.

### **The Global Plan**

#### ■ *Taking Care of the Family*

Marie has already implemented an ILIT and has successfully funded it with permanent universal life insurance. Each year, Marie gifts premiums to the ILIT.

Because the trust is irrevocable and the annual premiums are under the annual gift tax exclusion amount (\$13,000 per donee in 2009), there are no gift taxes owed on the premium payments. The ILIT is funded with a universal life insurance certificate equal to the value of the family-owned business on the product issue date. Generally, life insurance proceeds pass estate

and income tax free. Therefore, with the ILIT in place and funded, Marie knows that her family will receive an amount comparable to the value of the business – Marie's legacy. Additionally, because the life insurance proceeds will be distributed according to the terms of the irrevocable trust, Marie can control the ages, the amounts and the timing of the distributions to her children.

The ILIT is a critical part of Marie's Global Plan because it allows her to provide for her family and to give charitably.

#### ■ *A Business Exit Plan and a Gift to Charity*

Marie has a deep appreciation for her alma mater, Augusta College. She was one of the first women to graduate from its Women's Entrepreneur Program, which she did while working toward her bachelor's degree. She would like to share her success with her college.

Marie has had her attorney draft a charitable remainder trust (CRT). At her retirement, Marie will transfer ownership of her business to the CRT. The terms of the trust give her a stream of income (from the business's earnings

and ultimately the sale of the business) during her lifetime. The sale of the business inside the CRT may save considerable taxes. Marie will use the income to help cover living expenses, including the life insurance premiums.

At Marie's death, the remainder in the CRT will go directly to Augusta College as a charitable gift. In the year she transfers the business to the CRT, Marie will receive a sizable charitable deduction and defer or avoid much of the capital gain from the sale.

With her family taken care of and her charitable gifts in order, there remains one last piece of Marie's global plan: paying for final expenses.

■ **Taking Care of Immediate Cash Needs**

Marie is very concerned with the first days after her death. She wishes to have

cash available quickly to help her family cover her final expenses and funeral costs. She doesn't want her children, in their time of grief, to have to figure out where to get the cash to pay for these immediate expenses.

Whole life insurance products are one option available to help family members cover final expenses. Final expenses can include burial and funeral expenses, probate fees, outstanding debts, and unpaid medical bills.

Offering whole life insurance as an option for the family to pay for final expenses can be an attractive add-on for clients. It's ideal for those who have already made financial arrangements for other things in their lives but haven't addressed the costs associated with their deaths. For Marie, a whole life insurance product to help her family pay for final expenses is the icing on the cake.

**Global Planning**

Planning today and every day needs to be integrative. It requires a holistic view including a process that's designed to meet multiple goals with a finite amount of assets.


With her global plan in place, Marie may achieve her goals and leave a legacy that will live on for generations. **INN**

*Angela Wethor, JD, CPA, is the director of advanced markets at Foresters, affiliated with The Independent Order of Foresters, a fraternal benefit society in Toronto, Canada.*




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