



The Many Reasons To Look At Your Life Insurance Policies – Guest Blog



Henry Montag, CFP®: [The TOLI Center East](#)

It's unpleasant, I don't understand it, I don't want to deal with a life Insurance salesman. But if you don't your life Insurance policy may expire before you do. If you're like most people you think of life Insurance as a 'Buy & Hold' asset that requires no active management, when in reality a life policy is a 'Buy & Manage' asset, just like your stock

and bond portfolio. You wouldn't buy stocks and bonds and then place your investment portfolio in the bottom left hand drawer and not look at it for the next 10-15+ years. But that's what many purchasers of policies do. Problem is if you purchased a life policy over the last 25+ years, [there's a 55% chance that the policy wasn't guaranteed to last for the rest of your life.](#)

This is meaningful because interest rates went from a high of 18% in the mid 1980's to the current rate of 2-3%. This reduced sustained interest rate coupled with neglect over the last 25+ years has caused 23% of those existing non- guaranteed policies to expire years earlier than anticipated (American Bar Association Flagship book "[The Life Insurance Policy Crisis](#)," Jan 2017).

You may ask, how could that have happened? I paid all of the bills I received from the life Insurance Company on time, and in full. Yes you did but those premium bills haven't changed over the last 20+ years when interest rates were much higher. As interest rates decreased, the premiums you paid should have been increased to make up for the reduced earnings in your cash value account. Why didn't the Insurance Company send notices to ask me to pay a higher premium? It's not their responsibility as managing your policy premium is the responsibility of the owner of the policy. The Insurer's responsibility is to merely provide you with a death benefit and an annual statement/ bill. Yes, the Insurer could have done a better job of advising their customers of the danger of their policy expiring earlier than anticipated, but perhaps that's intentional as the insurance company profits when a policy expires prematurely, because the insurer keeps all the premiums and never has to pay out a death claim.

So as a result of the reduced interest rates, the policy not being guaranteed, nor properly managed, an insufficient amount of premium was paid which resulted in an increasing number of individual's life coverage beginning to expire years earlier than anticipated and [requiring a significantly higher premium to keep the coverage in force to one's life expectancy.](#)

In order to prevent becoming one of the statistics yourself, it is suggested that you meet with an independent experienced fee-based life Insurance consultant and go over each policy to make certain you're getting the most value for your premium dollars. Secondly to determine how long each policy will last and compare that to how long you want the policy to last.

Since the maximum guarantee period for a Term policy is age 80, 5-7 years earlier than normal life expectancy for a male. Anyone Insured with a term policy shouldn't allow the conversion privilege that permits them to convert the term policy to a policy lasting to life expectancy, without any evidence of insurability, slip by. Depending on the Insurer the conversion feature expires between 65 -75.

Once an overall assessment where you compare what you think you have to what you actually have, is made you can resolve the problem and provide the tax-free death benefit you intended for your beneficiaries. Keep in mind, the earlier you take the first step the more options you'll have available and the less costly it will be. I'm happy to have a conversation and share my 35+ years' experience as an independent CFP® and author so feel free to get in touch as I'm a good resource.



Henry Montag CFP®, in practice since 1976 in L.I N.Y has authored articles and acted as a source for NYSBA Senior Lawyer, NYSSCPA Tax Stringer, Tax Facts, Bloomberg's Estates Gift & Trust Journal, Trusts & Estate Magazine, & The WSJ. Guest appearances for Wall Street Week, Fox Business News & News 12.

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