Consider This Program

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On This Show:

Big Joe Clark, CFP®: Managing Partner and Lead Advisor of Financial Enhancement Group
Ken Dilger : Former Tight End at Indianapolis Colts, Senior Loan Officer at Milestone
Angi Kinser: Event Coordinator at Financial Enhancement Group
Grant Soliven, AIF: Financial Advisor at Financial Enhancement Group

Show Notes:

What is a trust protector and when might we need one? A trust protector is one of those things that was allowed inside of Indiana trusts. Most people do not have them in their trust. A trust protector has the ability to do many different things. My trust protector has the ability to make tax code changes. Secondly, they have the ability that's called decanting. They also have the ability to fire a corporate trustee if the remainder beneficiaries are not being treated fairly or if somebody raised their prices. Most of us know what a trustee is, but what's the difference between a trust protector and a trustee? You can give a trust protector powers that almost resemble that of a trustee. A trustee should never be the money manager of your assets. The trust protector's job should be limited to things that require expertise that your trustees may not have.

You know, it is tough to understand life insurance. It's one of those things nobody wants to pay for, nobody wants to use, and yet so many of us actually need. Today we've got a special guest from the Financial Enhancement Group team, Grant Soliven. We are going to talk about life insurance. Grant was one of my students at Purdue close to a decade ago. So tell me about life insurance. When should somebody consider purchasing it and what should they consider buying?

At the Financial Enhancement Group, we look at life insurance in two lenses: 1) Replacing income into liquidity needs replacing income. So when we're talking about replacement of income, it's what is going to happen when liabilities come due and there's no income. So during the three phases: Accumulation, when you're younger, is replacing that income, especially if you have kids. If one spouse has gone into preservation, it depends on how much money you've saved and what your future looks like. Then in distribution, is where we've found confusion over the years. If somebody's pension goes away or it's diminishing, as well as Social Security, they may very well need life insurance later on.

What's the second reason to buy life insurance? Going back to preservation, the primary reasons we see is funding college. Now, that's definitely an expense most families aren't planning for until the kids are in middle school. So in the preservation stage, we see insurance being bought for a period of time to cover college expenses.

So for example, when we take a look at the differences of expenses versus income, depending on how much they have saved to how much they're actually pulling from assets or other entities to fund income, sometimes it makes a lot of sense to supplement income with a life insurance policy. All of those assets coming in are tax free from a federal and state perspective. Sometimes if you're doing a death benefit that's not large or significant in size and you're relatively healthy, the premium can be somewhat manageable.

Life insurance doesn't always need to be replaced. Life insurance doesn't always need to be bought, but if you're going to buy it and if you have a policy that you're paying, let's make sure that it matches your needs. There is a checklist and a process that we go through with just about everything and reviewing life insurance is one of those things. Making sure the beneficiary is right, making sure the ownership is right, finding out whether or not the policy is convertible, making sure you know when it's due and what you can expect about future premiums are just a handful of the things that we really need to look into.

When talking about the distribution phase, what are your options if you no longer need your life insurance policy anymore? You can stop paying premiums and, depending on the type of policy: it will lapse. There's also a way to capitalize on cash value, if there's cash value in a policy. The second is you can have someone take the policy or pay you, that's called a settlement. That's definitely a last case option. It's a complicated process. It's not as simple as some would like it to be, but those are generally the three options.

So there's actual life settlement companies that you can go through. Should you shop around for this kind of thing, or do you just go into one and take the first? Is it a competitive thing? This is not a decision that one should take lightly or jump into quickly. When you're talking about shopping, a broker's job is to give you the best price when it comes to making a settlement. You want to make sure you talk to more than one because they're highly incentivized to make this deal go through. You're going to want to get a couple quotes from a few different individuals.

Can you gift a policy or can you gift the proceeds? How would you do that if you wanted your life insurance to go to a charitable entity? When it comes to leaving money behind, you definitely don't want to just automatically sign up a charitable entity as the beneficiary. Number one, most life insurance companies are going to make you report, especially if it goes to a church, for example. So life insurance companies just won't automatically allow a beneficiary to be a charitable organization. But more importantly on the tax decision, death benefit proceeds to beneficiaries are tax free, federal and state. When it comes to leaving money behind, you always want to look at qualified money first. When it comes to giving money away, it always makes sense to sit down, look through what you have in assets, IRAs, non IRAs, life insurance, and make the decision.

Have you ever wondered how to mess up or required minimum distribution? A distribution means taking money out and required means it's a 50% penalty if you fail to do so (out of your 401ks 403bs and IRA's). Believe it or not, people make a lot of mistakes.

1. Rolling over an RMD.
2. Combining RMDs with a spouse.
3. Not taking your debt. (Not taking liquidity into account.)
4. Taking a credit for withdrawing in excess from the previous year.
5. Thinking the still working exception applies to IRAs.
6. Making traditional IRA contributions after RMDs have already began.
7. Thinking annual QCD amount (Qualified Charitable Distributions).
8. Not understanding aggregation rules.
9. Not taking an RMD at all.
10. RMD calculation errors.

What we find is most people tend to come to us when something has happened in their lives (what we call a trigger or a transition), so it could be when you're retiring, you've lost a job, somebody in your family's getting married, something's happened to your family - the good, the bad, and ugly of life. We sit down and have a very important conversation. You don't want to worry about your money. The Financial Enhancement Group is right for you, as fiduciaries. They are required by law to treat your money as if it were their own and they were in the same situation. Call (800) 928-4001 or go to yourlifeafterwork.com.