

# ***GOLDEN BULLETS***

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## **THOUGHT YOU'D LIKE TO SEE THIS**

### **WHY LIFE INSURANCE?**

Life insurance is a major and unique planning tool particularly in the business continuation, and estate planning or wealth management/transfer arenas, because it does three things that no other planning tool can do as well.

Think of them as **LLW**: **L**everage, **L**iquidity, and **W**ealth Replacement.

**LEVERAGE:** Life insurance significantly leverages personal wealth, or a business' bottom line. A small premium payment can generate a vastly disproportionate amount of income-generating capital. Similarly, life insurance can provide indemnification to a business for the loss of a key employee, funding for a buy-sell arrangements, and provide financing for a deferred compensation agreement.

**LIQUIDITY:** Life insurance can guarantee that when crushing taxes, debts, and other demands for cash or income occur (at a person's death, for example), the needed capital will be available almost instantly and cost effectively — that is, without unnecessary “slippage” or “erosion” — at the very time it is most needed. Through properly arranged life insurance, death of the insured (the event that creates the need for capital in large amounts) triggers the payment of proceeds to satisfy that need.

**WEALTH REPLACEMENT:** Life insurance is the perfect wealth replacement vehicle. For instance, the ability to make current gifts to a charity, and replace all or a significant portion of the after-tax wealth that would have gone to a personal beneficiary, adds a whole new dimension to planning. Likewise, a person knowing that he/she can assure the financial security of a child (or other relative or loved one) through wealth replacement with life insurance, may feel more

secure in taking greater financial risks in return for greater financial rewards, or comfortable about using more of his/her wealth for current needs and desires.

## **THE THREE QUESTIONS**

Of course, life insurance, as incredible as it is, should not be considered a “magic bullet” or panacea. Certainly, every member of your planning team is bound by professional ethics to consider the alternatives. In determining which planning strategy (or combination of tools and techniques) is most appropriate, be sure your planning team works with you to ask - and answer - the following three questions:

1. Which approach will result in the highest present value of capital and income for your family (or business) as a whole?
2. Which tool or technique, or combination of tools or techniques, will satisfy the targeted need at the lowest present value in terms of financial, psychological, and other costs?
3. Which tool or technique is most likely to actually achieve your personal and business objectives?

**AS ALWAYS, FEEL FREE TO CALL OR E-MAIL TO DISCUSS THESE AND OTHER ESTATE AND FINANCIAL PLANNING OPPORTUNITIES.**

*IF YOU PREFER TO RECEIVE “GOLDEN BULLETS” BY EMAIL, PLEASE SEND A NOTE TO ME AT: [rwilson@fraserlawfirm.com](mailto:rwilson@fraserlawfirm.com). Thanks.*

**“Golden Bullets” is provided as a source of general information about current developments in the practice of estate planning and related topics. If you have questions regarding this issue or estate planning in general, please contact me prior to taking action.**

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