

# ***GOLDEN BULLETS***

**Ryan M. Wilson**

Fraser Trebilcock Davis & Dunlap, P.C./Lawyers

124 West Allegan Street, Suite 1000

Lansing, MI 48933

Telephone: (517) 377-0897

Fax: (517) 482-0887

Email: [rwilson@fraserlawfirm.com](mailto:rwilson@fraserlawfirm.com)

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

A life insurance checklist:

Here's a short list of things you can do to make your present life insurance as effective as possible:

### **Step 1: Assemble and Re-examine all Life Insurance at Least Every Three Years**

At least once every three years, you should collect and re-examine all the policies on your life (and your spouse's life) as well as survivorship policies, and if possible policies owned by trusts, partnerships, LLCs, corporations, adult owner-beneficiaries, charities, and third party owners. Obtain governmental, fraternal, group, and association insurance documents as well as individual coverage.

Contact the home offices of each of the insurers and ask them to confirm, in writing, the current ownership, beneficiary(ies), loan and lien information, and payment status of each of the policies. In each case, check to see if the answers from the insurer's home office conforms with how you want things to be and that none of the coverage is in danger of lapsing. Also check to be sure premium notices and other policy information is being sent to the appropriate address. Copy, and safeguard copies or verification (e.g., checks or bank statements) of the last three years of premium payments.

Consider if changes in your health, income, asset growth, family responsibilities, debt, and/or other changes since the policies were purchased warrant reassessment of the amounts and types of coverage.

Consolidate and safeguard originals of all policies and related documents.

Consult with counsel to determine if any individual coverage you own on your own life could (and should) be removed from your estate by an absolute assignment, and assess the risks and benefits should you die within three years of a transfer of the policy.

## **Step 2: Obtain All Policies You Own on Others' Lives.**

If you own life insurance on your spouse, child(ren), business associate(s), or debtor(s), each of the confirmations and analysis listed in Step 1 should be made with respect to insurance you own on the life or lives of other(s).

Consider contingent ownership arrangements so that at your death, the ownership of the policy you hold on the life of another will pass, not under your will, but rather pass automatically by contract provision to the contingent owner you name. This can avoid the delay and uncertainty of probate, subjecting the policy to a will contest, making the policy cash value available to your creditors, and in many cases subjecting the proceeds to federal estate tax. For instance, if a wife owns a policy on her husband's life and she dies first, absent a contingent owner (e.g. an adult child or trust), it's likely that the policy will pass through her will (and probate estate) back to the insured spouse, thus potentially exposing it to federal estate tax at his death (unless he then gifts the policy to a third party and lives three years after the transfer).

## **Step 3: Ascertain Your Ability to Obtain Additional Life Insurance in Spite of a Current Medical Condition.**

Some people mistakenly believe that because of their age or current health status, they can't obtain additional insurance coverage. Improvements in insurance underwriting in the last decade make it possible for seniors and those with various health conditions to obtain coverage that would have been impossible to obtain in the past.

Specialty insurers, carriers that specialize in underwriting various impaired risks should be polled to determine if they will issue insurance under your health circumstances.

Ascertain the availability, viability, and utility of options in your present life insurance such as paid-up additional insurance, or extended term insurance where these are offered (e.g., merely by changing the dividend option, you may be able to increase the coverage in older policies).

Check all your policies to determine if there are any term riders which can be converted to permanent coverage before the riders expire.

You may own existing policies on your life that have a guaranteed insurability rider, a contractual provision which gives you the right to buy additional insurance at specified ages (and/or triggering events) regardless of your health when the option is exercised.

## **Step 4: Check Current Beneficiary Designations and Disposition/payment of Proceeds.**

Ascertain if the beneficiary designations are up to date and in full conformity with your intentions.

Confirm each beneficiary designation as to their name, relationship, and the amount or percentage of the proceeds each is entitled.

Check to be sure each designation follows the "Rule of Two," i.e., there are at least two back-up or contingent beneficiaries for each party named. This is particularly important if the client's beneficiaries are older or very young. Also, consider a charity as your ultimate contingent "fail safe" beneficiary.

Consider in every case if outright payment of proceeds is appropriate -- or if the payment should be in trust, or in the form of a settlement option with certain guarantees and/or restrictions. Where there are multiple beneficiaries involved or where one or more are minors or incompetent (because of mental, emotion, physical, or other condition), or if the size of the policy warrants, a trust should be considered. The use of a settlement option may be suitable where the amount in question is small but comprise a relatively large portion of the recipient's financial security. On the other hand, a trust is indicated if investment flexibility and safeguards against inflation are more important than (or outweigh) the inherent advantages of the simplicity, safety, cost efficiency, and dependability provided by a settlement option.

**Conclusion:**

The tasks and action steps are not, of course, a complete list of all the things you should do -- and the steps -- and sub-steps -- are not necessarily in the order in which they should be accomplished. They are meant as a general guide. Coordination and cooperation with the members of your planning team is essential. Be sure to discuss potential changes with your team - before you make changes.

**AS ALWAYS, PLEASE FEEL FREE TO CALL TO DISCUSS THESE AND OTHER MATTERS OF INTEREST**

*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.**

Ryan M. Wilson  
(517) 377-0897