

Talk of the Town

Is This The Perfect “Investment” Nobody Knows About?



James D. Stillman

Over and over we hear folks complain about how sick and tired they are of banks paying virtually no interest on savings accounts, checking accounts, and CDs. You definitely need to have a certain amount of money safe and liquid, but it seems like you just can't make any reasonable return on that money. We often like to say that there has been a war declared on savers and conservative investors. And man, is it ever frustrating! Unfortunately, it looks like this is not going to change anytime soon. So, what are we supposed to do?

Well, the insurance industry has come up with a very attractive alternative that may be the ultimate “Christmas gift” for some of you. Imagine an account with the following benefits:

- Your principal can be safe and guaranteed (subject to the claims paying ability of the insurance company).
- Your account can be fully liquid at all times (100% access to your account).
- You have a very reasonable expectation to earn 4% - 8% average return over time.
- No income tax is assessed on earnings until you withdraw your money. Much like an IRA plan, the earnings are tax deferred.
- Increased tax-free transfer to your beneficiaries at death (they pay no income tax at all).
- Long-term care benefits can be included.

Wow! That sure sounds like a pretty nice list of benefits for you to enjoy. But, like anything else, there have to be some strings attached, right? Well, you would be correct. There are a few strings attached.

First, what I've just described is a type of life insurance called “**Single Premium Life - Option C**”. You make one single deposit and then you can't add money to it after that. Because it's life insurance, the first “string” is that **you must be insurable to some degree**. Now, you don't have to be an Olympic athlete to qualify. You just need to be insurable to some extent. The rating you receive will impact the cost of insurance and will determine the level of death benefit the policy must have to qualify under IRS rules for life insurance.

The second “string” is that **there is no guarantee on how much interest you might earn from year to year**. You may earn 0% one year and 20% the next. Indexing strategies are used to determine the rates of return each year, and once money is credited it cannot be lost due to market activity. Over time, after expenses, you can reasonably expect to earn between 4% - 8%, but it could be higher. Over the past 20 years, the average annual rate of return has been between 7% - 8% with this type of policy.

The final “string”, as previously mentioned, is that **you do have some cost of insurance expenses each year** (after all, it is life insurance). In this type of plan, they are typically minimal, but none the less they are there. Depending on how you structure the policy, the cost of insurance could bring your accumulation value down in a year where your indexing strategies return 0%, or they could have no impact on the value. It depends on the product and how you set it up.

Sample - \$100,000 deposit, 60 year old male, standard non-tobacco rate. The death benefit would be approximately \$250,000. You could expect to earn an annual internal rate of return after expenses of 4% - 8%. Your cash value is always 100% liquid (no surrender charges), if you die your heirs collect the \$250,000 income tax free. Alternately, you could use a portion of the death benefit for long-term care, if ever needed. What the heck else do you want?

When all is said and done, given today's low interest rate environment, these new “hybrid” life insurance plans are becoming a very popular alternative to keeping “dead money” in the bank. We consider it another asset class that simply is not used enough.

As always, if you would like more information about these strategies, any of our free reports, a free consultation, or a quote - just give us a call or shoot us an email. Don't forget to listen to “The Safe Harbor Retirement Planning Show” every Saturday morning at 10:00am and Wednesday morning at 8:00am on WSIC radio 1400AM, and 100.7FM. Or visit the radio tab on our website for all the uploaded shows.

Merry Christmas Everyone,
James D. Stillman



Wealth Management Corp.

(704) 660-0214

jdswealthmanagement.com

119-F Poplar Pointe Drive

Mooresville, NC 28117

