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September Life Insurance Awareness Month – Quick tips

Life Insurance is a powerful financial product to help you get what you want and need.

Protection is at the very heart of life insurance which is why it is in your best interest to understand the full value, including the tax benefits. Taxes can have a major impact on future savings and on what your family will have access to upon your death.

When considering life insurance ask yourself:

Are you interested in protecting your loved ones in a way that provides tax advantages and can also help improve overall financial wellness?

Did you know that life insurance can:

- Create immediate cash to help meet living, education, and final expenses
- Contribute to a larger legacy
- Supplement retirement income needs
- Be an additional asset to draw from in the event of chronic or terminal illness

There are five (5) sections in the U.S. Internal Revenue Code that are time tested specific to life insurance. These code sections cover the following:

- Provides death benefits income tax-free to the beneficiary
- Defines life insurance for tax-deferred growth
- Sets the maximum limit you can put into a life insurance policy and still receive favorable tax treatment
- Allows for tax-free policy withdrawals up to the amount paid in from a policy that is not a Modified Endowment Contract
- Accelerates tax-free life insurance death benefits in the event of chronic or terminal illnesses

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Prepare for Chronic Illness or Terminal Illness

The number of people suffering from long-term chronic illnesses has risen over the years. Several years ago, a subtle change was made to the tax code to allow you to accelerate your death benefit should you become chronically or terminally ill. Now, IRC§101(g) allows you to add a rider to a policy to give you this benefit; sometimes there is an extra premium. With this rider, your death benefit, can be used while you are still alive. You should note, though, that if you do use the living benefit under the terms of the rider, the net death benefit available for your beneficiaries will be reduced or possibly eliminated.

Tax-free Acceleration of the death benefit with IRC§101(g)

What assets can you use in the event of a chronic or terminal illness?

The U.S. spends nearly \$725 billion a year on chronic illnesses:

- \$7 billion is paid by long-term care policies,
- \$63 billion is paid by families out-of-pocket, but
- The majority of care (\$450 billion) is provided by family members who are unpaid.

Sources: Alliance for Aging Research, The growing older population and National bureau of Economic Research

Why liquidate an existing asset when you could use the tax efficient benefits of a life insurance policy during your lifetime and at death?

If you are interested in reviewing life insurance options for family or business liquidity needs, please contact BLBB Risk Service at 215-643-9100 and ask for Bob Flood. While regular reviews are important, certain events are more likely to change coverage needs. Some events that may warrant a review include: births and deaths, marriages and divorces, starting a business, purchasing a home or additional real estate and a job change.

Below is a secure link that will help you determine how much insurance you need or, if you know the amount you need, it will model projections of costs for term life insurance.

<https://easylifeinsurance.com/?cid=LCA&entityId=12798319>

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