UNTITLED

INSURANCE SERVICES

FREQUENTLY ASKED QUESTIONS LIFE INSURANCE

WHO ARE THE PARTIES INVOLVED IN A LIFE INSURANCE POLICY CONTRACT?

Insurer: insurance company issuing the life policy and assuming the risk.

Insured person: individual on whom the life policy risk is based. Depending on what event occurs to this person, the policy will act by paying the contracted benefits. There can be one or multiple insured persons.

Beneficiaries: individuals, entities, or trusts receiving the benefits of the policy. Beneficiaries may be changed at the policy holder's discretion without any penalty.

Policy Holder: will nominate the beneficiaries and may freely remove or designate new persons throughout the policy term. The policy holder may also determine to enter into a loan agreement or make policy distributions. In the case of PPLIs, the policy holder shall appoint the regulated investment manager and may, in some cases (depending on the local law), revoke the policy as desired.

Agent: is the intermediary between the insurance company and the final client.

HOW DO I DETERMINE THE APPROPRIATE COVERAGE?

There are different ways to calculate the coverage and savings needed in a life insurance policy.

1. Cash Flow Model: shall cover the current and future family budget in the same proportion that the deceased family member contributed to the household income.

a. If a family's budget depends on one member's work and not passive income, it is recommended to include coverage for a sufficient amount to financially support family expenses after the ensured member's death. For example: if a family needs US$100,000 per year to cover expenses, insurance coverage of at least US$2 million should be considered. This, generating a 6% return, would provide a gross income of US$120,000 annually so that the family budget is not altered after the death occurs.
b. Additionally, it is recommended that the applicant shall consider any outstanding debts such as mortgages, credit cards, or personal loans to be included in the policy coverage to reduce financial liabilities upon death.
c. Additional costs such as children's scholar and university education may also be included in the policy coverage.

2. Estate Tax Model: designed for high-net-worth clients to provide coverage for client's possible Estate Tax after death. This is done by discounting cash flows to the present value of the remaining assets, considering an approximate 4% annual growth from the estimated life expectancy. Additionally, it's used to offset asset distribution among heirs, as cash is the most liquid and visible asset.

3. Life Insurance Enjoyment Model: most permanent policies offer a cash value, at a tax free high and consistent rate. At a certain age, the policyholder can receive distributions or loans based on this estimated cash value, providing income to cover living expenses for an extended period, typically 20 or 30 years, starting at a specific age, such as 65 years old.

It's important to note that when calculating retirement needs, a reverse math calculus is recommended. Thus, calculating the death benefit and premiums contributed during the estimated period to achieve the desired retirement goal.

Sometimes, clients consider permanent savings policies as part of their retirement plan. They allocate a percentage of their annual income, typically around 15%, to pay premiums on a long-term savings policy.

WHAT IS THE DIFFERENCE BETWEEN LIFE INSURANCE POLICIES THAT REQUIRE A MEDICAL EXAM AND THOSE THAT ARE EXEMPT FROM MEDICAL TESTS?

Policies that typically don't require a medical exam are term policies for individuals up to 45 years old, with a maximum coverage amount up to US$2 million.

WHO SHOULD BENEFIT FROM MY LIFE INSURANCE POLICY?

The beneficiaries may vary depending on the jurisdiction, the policy holder's wealth structure, and the local inheritance tax laws.

The beneficiary may be an individual, a corporation, or a trust. In some cases, especially for policies issued in the United States, certain companies require the beneficiary to be a U.S. person or U.S. trust. Generally, a specialized trust known as an Irrevocable Life Insurance Trust (ILIT) is recommended to set aside the policy from the client's estate.

CAN I CHANGE MY LIFE INSURANCE POLICY?

No, but you can change the beneficiary and policy owner.

HOW CAN I ENJOY MY LIFE INSURANCE POLICY DURING LIFE?

Using the cash value through loans or distributions as part of a savings plan.

ARE THERE ANY REQUIRED STEPS I SHOULD FOLLOW TO MAKE SURE I HAVE SELECTED THE APPROPRIATE LIFE INSURANCE POLICY?

Yes, below we enumerate the recommended steps you should consider when deciding which policy to choose.

1. Determine your estate planning objectives.
2. Make sure to discuss with your legal counsel the local law implications on cash values and death benefits.
3. Define the insurance coverage amount following the recommendations shared above.
4. Choose a life insurance policy that is portable flexible
5. Select a highly regarded solid insurance company.

To schedule a call with our team, please contact us at contact@untitled-slc.com.

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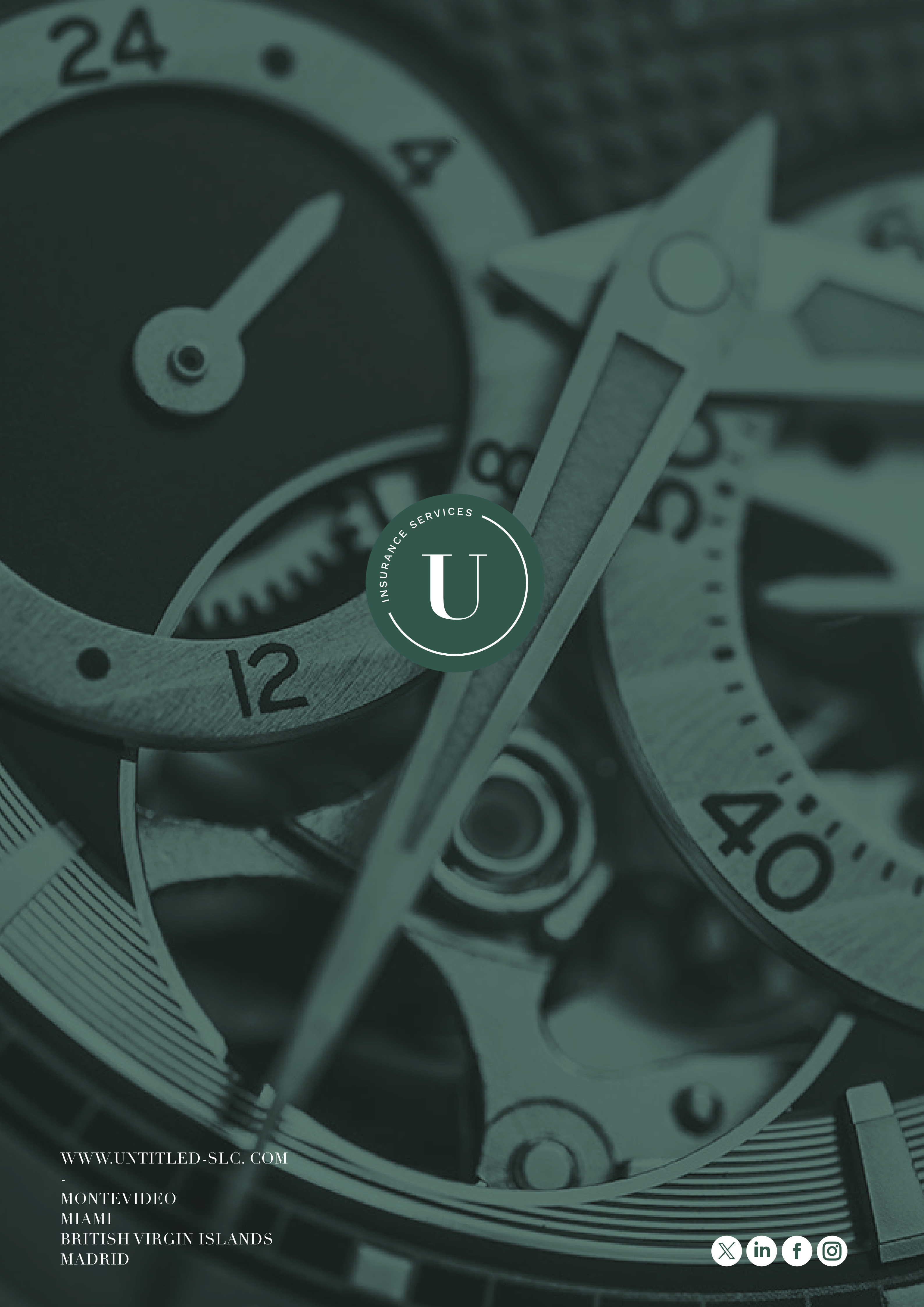

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