

## USING LIFE INSURANCE TO HELP PROTECT AND GROW YOUR WEALTH

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We live in a litigious society. The world abounds with people determined to hold someone accountable, usually financially, when things go wrong – especially in the medical field. So what can physicians and other medical professionals do to protect their assets from frivolous lawsuits?

One strategy includes the use of life insurance. Usually the thought of life insurance puts a frown on most faces. But does it deserve that reputation? Life insurance policies come in many forms, which include permanent and temporary policies, and serve many purposes, including paying off debts, replacing lost income for family members, and providing cash to pay estate taxes. (Please keep in mind that life insurance is primarily purchased for the death benefit. Any additional benefits are secondary to the death benefit protection. Therefore, you should consider your current and future life insurance needs, and the amount of death benefit required to meet your needs, before purchasing life insurance.) But let's focus on two aspects that may change how you view this investment tool.

According to North Carolina statute 58-58-115, life insurance policies *and any cash contained within* are protected from creditors, as long as the policy is owned by an individual and the beneficiary of the policy is the owner's spouse. (Life insurance purchased with the intent of defrauding creditors does not offer protection under the statute.) Permanent life insurance policies allow for cash value accumulation. (Laws regarding life insurance policies vary by state. Please contact your attorney for further information concerning your particular situation.)

A permanent life insurance policy is one where the annual contributions made to the policy are larger than the actual premium cost for the life insurance benefit. The excess cash can accumulate in the policy in a tax-deferred environment and, if structured properly, can allow for tax-free loans against the policy during your life. (Loans and withdrawals will negatively impact investment performance. Withdrawals will reduce your face amount. If the policy is classified as a Modified Endowment Contract under IRS rules, distributions may be subject to income taxes and a 10% federal tax penalty if made before 59 ½.)

One word of caution – when using this strategy, it is imperative you implement it through a professional who possesses skill in investment management. The long-term success of the policy will be dependent on the skill and attention of the professional making the investment recommendations and monitoring the cash value in the policy to help ensure the policy does not lapse. These policies should be reviewed annually if not more frequently.