From the desk of Jeanne M. Kerkstra, Esq., CPA

Viewpoint
Overpaying on Insurance?

This time of year is always an exciting time. It is a time both for holidays and for reflection. Also, for those on a calendar year, it means the closing of the window of opportunity for planning.

How do you know if your estate plan needs updating? Ask yourself.

* When was the last time it was reviewed for key terms including appointment of executors and trustees and timing of distribution to children?

* Do you know where these documents are? It is equally terrible to have not removed trusted persons who are no longer trusted than it is to not be able to have your loved ones locate these documents when the time has come.

* Who do you want to be in charge of making these important decisions? The courts? The government? Or you?

*Is your current estate plan costing you unnecessary money? An estate plan can cost you unnecessary money by not having important items such as an Irrevocable Life Insurance Trust (a/k/a ILIT) to help reduce your exposure to estate tax and spendthrift provisions that protect your beneficiaries from their creditors.

An interesting point is made by Natalie Oh, a colleague of mine in the industry, about whether the cost savings received by the insurance companies from a change five years ago has been passed on to the policy holders. The exciting change is explained as follows:

> The 2001 CSO Mortality Table was developed by the American Academy of Actuaries and adopted by the National Association of Insurance Commissioners (NAIC) in December 2002. The new table reflects significant mortality improvements over the last 20 years and allowed insurance companies to reduce their minimum reserves by as much as 20% on average. While industry leaders predicted that most insurance companies would lower their premium rates to reflect the reduced reserves requirement, the majority were slow to implement any changes and took a largely "wait and see" approach. Even now, 5 years after the 2001 table was instituted, many carriers have only just recently begun the process of re-pricing their products to reflect their reduced exposure to risk.
>
> For clients who had previously purchased a life insurance policy within the past 5 years or so, there may be an advantage to reviewing their policies to determine if the product purchased used the more favorable 2001 CSO Mortality Table or its predecessor. The drawback is for clients whose health may have deteriorated during the same timeframe.

We recommend that clients (and advisors to clients), initiate a periodic review of all their risk management tools and coverages, from wills to homeowner's policies to ensure that they continue to meet their original objectives and provide the proper risk management that was intended. The 2001 CSO Mortality Table provides the impetus for doing so with life insurance coverage.

Do you know if you have received these cost savings? Now is a good time to talk to your insurance agent about this.

An individual's estate planning needs are fluid and diverse. Give us a call, and let's find out now if the plan in place is really the plan you need.

Jeanne M. Kerkstra, Esq., CPA KERKSTRA LAW OFFICES LLC 53 W. Jackson Blvd. Suite 1530 Chicago, IL 60604 312.427.0493 312.675.0500 (fax) jmk@kerkstralaw.com	KERKSTRA LAW OFFICES LLC Problem? Solved.® asset protection • estate planning corporate work • business succession planning forensic investigation• litigation and more

Posted: Archived