

Seniors Can Leave a Legacy with Single Premium Whole Life Insurance

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Many parents of baby boomers and “boomers” themselves have spent their lives working hard, raising children, paying down mortgages and funding college educations. Along the way, they’ve probably been able to save some money for their retirement years and now want strategies for maximizing what they have. Quite often, the desire to pass along some of their hard-earned money to children, grandchildren, church or charity is also part of their long-term financial goals.

Fortunately, life insurance producers can offer an ideal solution for many: single premium whole life (SPWL) insurance. By simply allocating a portion of their invested assets to a SPWL policy, clients can realize the following benefits:

- Immediately increase their estates
- Provide beneficiaries an inheritance that’s potentially free of federal income tax*
- Pass money directly to beneficiaries, avoiding probate courts
- Have a guaranteed lifetime death benefit
- Receive their death benefit while living in the event of catastrophic illness, including: terminal illness, nursing home confinement and home health care/adult day care/other qualified care. This assumes the policy benefit is available.
- Depending on policy provisions, access guaranteed cash values for financial emergencies with penalty-free withdrawals after the first policy year
- Avoid market risk
- Pay a one-time premium with no renewal decisions to make

“Policies Allow Them to Maximize Estate, Conserve and Transfer Wealth”

Who Can Benefit From SPWL?

Many seniors are concerned about their family’s financial futures and wish to transfer a portion of their estates to them upon death. SPWL policies are best suited to seniors who already have designated money for that purpose. Underwriting guidelines vary from company to company, but Baltimore Life’s new Secure Solutions® SPWL program can be issued for individuals between the ages of 50 and 85 with a minimum premium of \$5,000.

Baltimore Life’s qualification process utilizes a short application, responses to simple health questions and a phone interview by an underwriter.

How Does SPWL Work?

To best demonstrate how these policies increase the value of an asset immediately, I’ve provided three examples from Baltimore Life’s Secure Solutions® SPWL program. These examples assume the client would qualify for Level 1 underwriting based on Standard-Table 4 pricing. Baltimore Life’s SPWL product also offers Level 2 pricing (Tables 5-8), for clients who do not qualify for Level 1.

Client #1: Jane, age 65, non-tobacco user, had planned to pass along her \$50,000 certificate of deposit to her grandchildren upon her death. By simply moving her \$50,000 from the certificate of deposit to Baltimore Life’s Secure Solutions® SPWL policy, Jane was able to purchase a \$98,814 death benefit guaranteed for the rest of her life. Immediately, Jane increased this portion of her estate by 49 percent and nearly doubled the original gift she intended to leave her grandchildren. In addition, the death benefit will potentially pass income tax free* to her grandchildren and she no longer has the tax liability for the interest income earned on the certificate of deposit.

Client #2: Anne, age 60, non-tobacco user, had planned to pass along her \$20,000 investment in an annuity to the hospital where she volunteers upon her death. By moving her \$20,000 to Baltimore Life's Secure Solutions® SPWL policy, Anne was able to purchase a \$45,662 death benefit guaranteed for the rest of her life. Immediately, she significantly increased her planned gift to the hospital. Of course, tax implications should be considered when transferring money from an annuity.

Client #3: John, age 65, non-tobacco user, has determined that his family will need \$8,500 for his final expenses. Currently, he has \$7,000 saved in a money market account. By purchasing a Baltimore Life Secure Solutions® SPWL policy for a one-time premium of \$5,000, he immediately increased his assets to \$8,850. Now, the remaining \$2,000 in his money market account can be used however he wishes.

Ideal Assets for SPWL

Though money needed for living expenses should not be used, frequently, seniors may have "pre-designated" liquid assets such as certificates of deposit, money market accounts, and treasury securities for their heirs that would be ideal for SPWL utilization.

Significant Tax Savings

While the older of the two generations has typically chosen "safer" investments – certificates of deposit, savings bonds or money market funds – and their "boomer children" have added mutual funds and stocks to that mix, both will be subject to taxes on the growth of their assets. By transferring assets to a SPWL policy, clients are establishing an inheritance that's potentially free of federal income tax* since death benefits from life insurance are generally not taxable.

Clients' heirs will also avoid probate court as long as beneficiaries have been properly designated on the policy.

Living Benefits

Many seniors are worried about a catastrophic or prolonged illness and the devastating impact it could have on their accumulated wealth. Fortunately, SPWL policies can address this concern when an Accelerated Death benefit Rider is offered, as is the case at Baltimore Life. Adding the rider does not increase our clients' premiums but it provides them with access to a portion of the policy's death benefit in the event that they are suffering a catastrophic illness. Living benefits can be exercised if any of the following occur: terminal illness; permanent confinement to a nursing home or long-term care facility; extended home health care or adult day care; or other qualified care.

Access to Cash

Cash values accumulate income tax deferred year after year. A portion of the accumulated value can typically be accessed at any time after the policy has been in force for one year, through a partial surrender or policy loans.

Avoid Market Risk

No other asset can match the immediate increase in wealth provided by SPWL policies. Clients are also not subject to stock market risk and interest rate fluctuations. They are buying life insurance, not investments.

Easy to Buy

Since clients pay a one-time premium and have no renewal decisions to make, the SPWL transaction is surprisingly simple. As mentioned earlier, companies like Baltimore Life provide even further added value to producers by providing simplified issue underwriting.

Creating Opportunities

So many senior clients we meet have planned well and worked hard for their savings. They have accumulated some wealth and now seek opportunities to maximize it. SPWL can do just that with the added benefit of providing a clear path for transferring a portion of their money upon death to loved ones and organizations important to them.

By introducing clients to SPWL, agents and brokers are creating opportunities to protect nest eggs from taxes, increase inheritance values immediately, and even free up money for their clients' own needs. That's a worthwhile solution to explore.

** Comments contained in this article reflect Baltimore Life's understanding of the current tax law treatment for this type of product. However, the laws are subject to different interpretations and changes. Our agents do not provide tax advice. Be sure to encourage your clients to consult with a tax advisor about SPWL and their personal financial situations.*

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