



## 5 Considerations When Reviewing Your Life Insurance Portfolio

When it comes to safeguarding your family's financial future and protecting your wealth, life insurance plays a pivotal role. Regularly reviewing your life insurance portfolio with an experienced advisor should be an integral part of your financial planning.

### Understanding Your Life Insurance Portfolio

Life insurance is often an undermanaged insurance asset. Conducting a periodic or annual review of life insurance policies can identify weaknesses and lead to opportunities for improvement that can substantially reduce risk and potentially improve your long-term results.

Over time, policies acquired may not perform as originally expected. Couple this with life's changing financial, family, and health circumstances, and it becomes imperative to monitor your life insurance policies and coverage needs regularly.

### Key Considerations in Life Insurance Policy Reviews

1. *Tax Efficiency:* Life insurance can have significant income and estate tax implications, both during your lifetime and after. Strategies like creating an irrevocable life insurance trust or using tax-advantaged investment options within your policy can lead to reduced tax consequences.
2. *Identifying Coverage Gaps:* Over time, financial obligations, taxes, and other liabilities can change. Your financial advisor can conduct a thorough review of your insurance coverage to identify any gaps and recommend appropriate adjustments to help ensure you and your family are adequately protected.
3. *Optimizing Your Insurance Portfolio:* Life insurance policies vary widely in terms of structure and features. Ask your financial advisor to help you assess whether your current policies are suitable for your needs. They can explore options to optimize your policies, such as converting term life insurance to permanent insurance or adjusting the coverage amount to align with your



current financial situation and objectives. In some cases, policies can lapse before life expectancy, or there will be deadlines within the policies that must be adhered to.

4. *Life Insurance Investment Performance*: Some life insurance policies, particularly permanent policies such as variable universal life insurance, include cash value components that can be invested. When conducting life insurance policy reviews, an advisor can assess the performance of these investments within your policies and assist with adjustments or reallocations to optimize returns and align with your risk tolerance.
5. *Cost Efficiency*: As you age and your circumstances change, the cost-effectiveness of your policies will also be an important consideration. An advisor can help you evaluate whether you're getting a fair value for your premiums and explore cost-efficient alternative options, if necessary.

As you develop your financial plan, many elements could be labeled as set-it-and-forget-it aspects. Life insurance is not one of them. To remain effective, it requires regular attention and adjustment. Regularly reviewing your life insurance portfolio within the context of your wealth, estate, and business preservation planning is not just a prudent practice; it's essential.

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