

A January 1, 2013 Deadline Looms for an Important Planning Issue

This comes to you with an urgency to address a very specific matter that could be of the utmost importance in your retirement and estate planning.

Life insurance often plays an important role as one component of an overall retirement and estate plan. A new development in the world of insurance commands our attention. Insurance premiums on many permanent (not term) policies are going up and many plans **will never be available at current rates again.**

Interest rates have dropped over the last decade and remain stagnant today. This has caused chaos in conservative investment vehicles including bonds, fixed annuities, money market accounts, and certificates of deposit. Now, these lower interest rates are going to drastically affect life insurance product design pricing for many guaranteed life insurance products. The National Association of Insurance Commissioners (NAIC) has seen the need to make adjustments in the way that life insurance companies finance and carry reserves on their policies. In September, the NAIC approved revisions to Actuarial Guideline 38 (AG38) requiring insurance companies to hold more cash reserves in order to guarantee many life insurance policies.

The Nature of the Changes

Some insurance companies are changing their policies even as you read this letter, but certainly by January 1, 2013, we are going to see a dramatic change in product design and the pricing of life insurance in this country. **The most common increase in pricing for guaranteed policies is projected to be between 8 and 15 percent,** however, industry wide, the premium increases are going to peak as high as 25 percent. And, for the policies I prefer—low cost, guaranteed high death benefit—you will be responsible for paying that higher premium for the rest of your life. But, let me stress, *as part of a comprehensive strategy, it can make excellent sense.*

Other Factors

Another factor making insurance even more attractive as this year ends is that we face the possibility of our exemption currently at 5.2 million (without the need of special planning) reverting to \$1 million on January 1, 2013. Certainly we hope Congress will agree on some compromise number, but if they don't, the exemption will drop back to \$1 million next year.

What I Did With My Own Planning

Individually, Cindy and I have carried \$1 million term life insurance policies since we had our daughter, Erica. It is important to us both that we provide for each other first, and eventually for Erica. So, within days of hearing about the insurance cost increases, we met with Tom Hall, President of Pittsburgh Brokerage Services (the company we work with at Lange Life Care, LLC

to provide the best insurance coverage for our clients). We both applied for individual permanent universal life policies of \$1 million. Our objective was: small premiums and a large death benefit. Through Tom, we were able to find a policy that met our objective and included a special feature: if you pay the premiums for 15 years and change your mind, you can have all your money back! We also applied for two separate policies that combine life insurance and long-term care. (If you are interested in learning more about combining life insurance and long-term care, please visit www.retiresecure.com, scroll down and click on “listen now” and then scroll to episode 9 and either listen to the my radio broadcast with Tom, or read a transcript of the show).

To apply for these policies next year would cost us between 8% and 15% more, so we wanted to be sure to get in before the deadline. We are going through the application process, and our final rates have yet to be determined. However, Tom thinks that even though Cindy had thyroid cancer and I have psoriatic arthritis, it will still be possible get us approved for standard rates. Tom thinks he might even be able to get me preferred status! Cindy and I need insurance on each other because neither of us has hit “our number” meaning neither of us, either separately or together have sufficient money needed to live in the style we want for the rest of our lives.

Though we both want to provide for our daughter, Erica, we have to provide for each other first.

Advantages of Permanent Insurance

- Pass money to your beneficiaries (or their beneficiaries) income tax free, estate tax free and inheritance tax free. (That assumes it is handled correctly from a legal standpoint, which if you work with us, it will be).
- No income taxes on the difference between the sum of the premiums paid and the proceeds.
- It builds your estate.
- It preserves your estate.
- Allows you to spend more because you have “taken care of the beneficiaries” with insurance.

The combination of an insurance policy, disclaimer type wills, and well-worded beneficiary designation of your IRAs and/ or retirement plan and Roth IRAs work synergistically to squeeze the most advantage from what you’ve got, and pass it on to your family. It’s just smart, tax-savvy planning.

If you have an annuity that you are not planning to spend during your lifetime, taking just a small portion of it every year to pay premiums on insurance will dramatically increase the amount your beneficiaries will receive.

Your Next Steps

First, please understand there is no cost or obligation to you in having us evaluate your insurance needs and in submitting an insurance application. Then we will work hand-in-hand with Tom Hall, our trusted insurance broker. Tom will shop all the top-rated companies to provide ***the best value, lowest priced policy for your premium dollars***. One of Tom's strengths is finding favorable coverage for clients with medical impairments (e.g., prostate, diabetes, high blood pressure, heart disease, cancer history, etc.). Tom's expertise, the size of his practice, and the leverage that he holds with the life insurance companies helps us find (and often even negotiate with the carrier) the lowest premiums for you.

Life insurance is one of the best ways to transfer money, with limited risk, at minimal cost, and in most cases, tax-free, to your beneficiaries. **There has never been a better time to buy life insurance than right now.** Generally speaking, the earlier you purchase life insurance, the better off you will be. You will never be younger than you are at this moment and probably never healthier, and those two factors influence the rates you pay for life insurance almost more than anything else.

But, now you can factor in one more incentive: life insurance will never be as inexpensive as it is today. If you wait until after January 1, 2013 to apply for the life insurance you think you may need, in many cases you WILL pay more for it.

**You Now Have the Opportunity to Lock in a Low Price on these Products
While the Current Premium Tables are Still Applicable**

Lower rates, coupled with the fact that, traditionally, underwriting at the end of the year is the most conducive to getting policies placed, makes this a perfect time to move forward and apply for life insurance.

Life insurance is more than just a death benefit. It is the only vehicle ever fashioned that creates an instant estate. Life insurance can ease the worry of outliving your resources, help fund a college education, bolster retirement prospects, help you maximize your social security or required minimum distributions, pay for estate and income taxes, and, in some cases, a combination policy can provide for long-term care coverage as well as life insurance.

If you are unsure if you need life insurance, or you'd like to get information about how life insurance can augment your portfolio and improve your loved ones, beneficiaries', and even your own financial future, now is the time to find out more.

Please, call us today and schedule a complimentary appointment to evaluate and discuss your insurance needs taking into account whatever insurance you already own. You won't be sorry.

Please call Alice, at 412.521.2732 to set up your free insurance evaluation today.

Sincerely,

A handwritten signature in blue ink that reads "James Lange". The signature is fluid and cursive, with the first name "James" and last name "Lange" clearly legible.

James Lange
Certified Public Accountant
Attorney at Law

P.S. The January 1, 2013 deadline is fast approaching. Don't be sorry later that you didn't act today. We already have a lot of clients who regret not buying insurance before they had a health problem. We don't want to have more who will kick themselves for not calling before the rates went up.

P.P.S. We've made a lot of friends by saving people money. Here's what we would like to do for you: let us review your needs and what you have in place to meet those needs, and then let us make recommendations. All you need to do is give us a call.