



## Life Insurance: Why What You See May Not Be What You Get

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“You mean I can do that?” This is the typical response that even the most sophisticated individual has given when presented with a “life insurance concept sale.” Sometimes it seems mostly like a lot of printed pages, a fancy PowerPoint, a few cool illustrations and a lot of technical razzle-dazzle about “assumptions.” Nothing is clear or concrete.

While there are many ways to present life insurance options, the average buyer is more often than not caught up in the hype while lacking the knowledge to actually understand the internal workings of what is offered.

The hype: tax deductible, your own private bank, pay yourself, income tax free etc. are all terms that many of us have been introduced to by insurance sales people, as well as tax advisors, financial planners and others. But once again there seems to be an avoidance of some critical workings of an insurance contract that may prevent the reality of what is being sold conceptually.

Many times the real questions are never asked:

- What if I can't afford future payments or pay back loans?
- What happens if I die? Are there negative tax implications?
- Does the actual insurance contract allow for changes in funding programs if the economy adversely changes or I lose a job or my business fails?
- And most importantly -- How many changes and or amendments have been made to this concept or actual product?

While there are many qualified professionals who do their due diligence before recommending a particular concept, there are more often than not salespeople who promote a concept that while it has sizzle may not disclose the various nuances that would make it a poor choice. This of course may be pure ignorance or the lack of experience to ask the right questions. In addition to this, those individuals may not have correct information about the client that may or may not prove to be in the prospective client's best interest. This can be due to lack of trust and the hesitancy of the prospective client to be fully forthcoming.

While “Caveat Emptor” sounds great one must realize that third-party purveyors (Third Party Administrators) and promoters do not fully disclose the potential issues since they are in fact hyping a product and concept to the naïve individual selling such concepts. The presentation looks great but there are many answers out there yet to be provided for the unasked questions.



You may know your advisor but sometimes the amount of his or her compensation may be so great that the unasked question may be a reason to avoid the topic entirely. Too many times we have seen someone the perspective buyer knows bringing in an “expert” who is a master of smoothness and will rarely offer up answers to the questions that should be asked.

Whenever you are considering a large expenditure be sure to ask other advisors for input. They should be willing to step up and either know the answer or recommend an independent objective professional for assistance.

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