

Add this to the holiday list-annual review of life insurance!

With the holidays quickly approaching, family and friends will be gathering to enjoy lots of food and some libations. Lots of laughter will be heard and a few toasts will be made at the holiday gatherings. As one song says, “It is the most wonderful time of the year!”

At these gatherings, many conversations will be about sports, gifts for the kids, travel and of course financial matters. Also, there will be talk of family activities, health issues and great stories of family members who have gone on to a better place. Heated debates may come up about the economy, our government and taxes.

Based on these conversations and as the year draws to a close, it is the perfect time to review your financial game plan and goals. More specifically, isn't it the perfect time to review you defensive game plan and do a life insurance review?

A good financial plan takes into account the expenses of today, protects what you have through insurance, and allocates funds for the future. However, what good is a financial plan that does not leave enough cash behind during critical times?

In today's world there is great uncertainty about the economy, taxes, jobs and health care. The only way to feel certain about your future finances for your family is to shore up your life insurance as we all are certain to “kick the bucket”, we just don't know when.

When was the last time you checked your beneficiaries for accuracy? Does your family know you have a life insurance policy outside of work? How much coverage do you have? How long are your rates guaranteed? Do I want to have the coverage after I retire? How is my current health? How would the bills be paid and where would the funds come from?

Have your bills ever said, “It's the holidays, don't worry about your payment.” The utility companies, rent/mortgages, car payments, credit cards (any creditor with a balance due) and Uncle Sam continue to send those bills no matter what. Bills never ever offer to give you a month off. How would these expenses be covered if you “checked out” for good?

If you said your savings would cover all the bills, that is great! However, how long will those savings last? Are they taxable upon withdrawal or can they be withdrawn without penalty due to age? What happens if the market drops when your family needs the funds from investments?

The amount of insurance you own should be enough to at least cover all your bills. Many people should also purchase enough coverage to replace a portion of their income. The correct amount of life insurance is very important in having a secure financial plan. It is about taking care of the ones you love by paying for the responsibilities that are left behind.

Estate Taxes?

Another reason to review your life insurance depends on whether our federal government fails to vote on changes to the tax system by December 31, 2010. If they don't act, by law, estate taxes will revert back to 2001 levels. That means a family could be subject to estate taxes if their net worth exceeds the unified credit of \$1,000,000 without proper planning. Any amounts over the unified credit may be subject to a 55% tax when your assets transfer to the next generation. OUCH!

A financial review would help you to determine if the family's net worth exceeded the credit. When adding up the assets, the death benefit of your personal insurance policy is something that could be includable in your estate. If the policy is included in your estate, the benefits also could be subject to the 55% tax.

Many families solve the estate tax issue by purchasing enough life insurance to pay for the taxes that may be due. To avoid the policy being included in your estate, many people should work with an attorney to set up an Irrevocable Life Insurance Trust (ILIT) to own the policy. Either way it is critical to have your policy reviewed annually.

Don't hesitate to have your insurance reviewed by a licensed insurance professional. They can determine the amount of coverage you need and examine the long term benefits of your policy. They will help you with all the questions that have been stated above.

So this holiday season, when the laughter dies down and the drinks were off, take a few moments to review your defensive game plan and life insurance. Financial security is a great gift to leave to your loved ones. You will be glad you did!