

HOW TO BUY
TAX FREE
MONEY
AT A
DISCOUNT



Contents

Receiving money at a Discount

Changes within insurance

Living Benefits

How much should you have

Types of plans

The Application process

Beneficiaries

Company information

How can you receive more money or value at a discount?

3 Scenarios:

#1 Buy a House. For a down payment you can get an expensive home. The problem is that it's not liquid. The Value may possibly go down. You will incur expenses for Maintenance, Taxes, Remodel's, Closing expenses, HOA Fee' etc.

#2 Buy a New Car. For a low payment you can own a new car. The problems again are that it is not liquid if you need money. You will lose value of 20-30% as soon you sign the paper work. Plus cost to maintain and insure the car.

#3 Buy Life Insurance. For a low payment you can have a value worth of hundred's of thousands of Tax Free dollars. Liquid with a phone call. Remove accumulations Tax Free. Cover part of any Long Term Care. Replace and enhance your spouse's income upon your passing. Create a Tax Free Legacy for your heirs.

Only Life Insurance enable's you to purchase so much for so little.



**Life Insurance is
Life Insurance—Right?
WRONG !**

Life Insurance has changed from its original concept of only paying a Death Benefit.

Companies such as New York Life and Metropolitan started with what were called **Industrial Policies**. The Agent would go to their clients on a monthly or weekly basis to collect the premium.



Remember seeing Alex Trebeck on TV? The same plan with today's updates. Still the same thing.

As the client's needs have changed and evolved, so did the companies. They have designed plans that now have so many Living Benefits, that the death Benefit is almost secondary. Improvements to financing large or small policies.

Life Insurance has evolved to become a major component of one's portfolio.

Remember. Life Insurance is there to provide you or your family with quick access to Money. Providing you financial protection as no other item can.

Living Benefits

The Living Benefits found with your purchase of Life Insurance can meet so many needs.

One of the greatest Financial Concerns that retiree's will face will be **Long Term Care, LTC**. I have seen too often is when someone has **UNDERESTIMATED** their need for LTC.



Today's Life policies provide the face value of the policy for your LTC. *(Less a very small percentage to conform to IRS Ruling what constitutes Life Insurance).* **It must** remain a Life Insurance

policy according to IRS. For more information on LTC, obtain the brochure either by mail or online at: www.goodrumfinancial.com

Another feature of having Life Insurance as part of your portfolio is the ability to remove an income.

A Tax Free Income. With the Index plans, you will create income into the policy to help fund the premiums. Those increases grow on a compounded basis. Allowing you to enjoy the cash build up. With Tax Free income, your overall income is higher. But you have a lower taxes. It's called Effective Tax Rate.

For Example: Your reportable income is \$65,000.

Taxes would be approximately \$7,412.

Take \$10,000 less from your Stock portfolio; reducing your reportable to \$55,000. Your taxes are approximately \$6,212. A \$1,200 savings. Then take the extra \$10,000 from the account value of your life policy. This is changing your "**Effective Tax Rate**".



Removing monies from the account value can be done in 2 ways. A straight withdrawal or a policy loan. Within a short time, doing the policy loans will have a Zero Net cost. The policy it's self will be generating more than is removed.

A word of caution. If you should take out to much, you can do what is called "CRASH THE POLICY". Prevention is just a matter of monitoring the account. Like your checking account, don't abuse it.

You can use the money any way you wish. For your vacations, home repair or whatever.

It's your money and available to you.

Another beneficial use is to create a lasting legacy for your children. While many assets may be taxable to the children, Life Insurance is not. The Taxable investments would make a great Charitable Contribution.

*The charity would pay no taxes
and it becomes a deduction to your estate.*

The Face Value *or* The Death Benefit.

The face amount or Death Benefit is what the policy will pay upon your passing. From the terms alone, people will generally have a negative view of the mere idea of obtaining any Life Insurance.

Unfortunately, we are not mortal beings and our passing will occur.... *So make the most of it.*

As said on the cover.
"Buy Money at a discount".

A lot of things will happen when someone passes.

One of them is a need for ready cash to cover the expenses that will be there. Without having to liq-



uidate any of your investments.

The financial need for bringing in family plus the other expenses can be monumental.

Losing a loved one is a very stressful event in ones life. Having the expenses covered will help reduce the stress factor's of the moment.

A question the surviving spouse quietly asks of themselves is "What will I do Now"?

You can provide that answer with Life Insurance.

You can not be replaced. But you can make life more secure for your loved one's.

How much insurance should you have?

I use two methods. **One** is to calculate future expenses. This will replace lost income etc. Considerations for inflation and added costs that were provided by the one that passed away.

Expenses often go up after a death. The person who has passed did help about the home and other activities. The need for such assistance does not go away when one dies. It may be necessary to hire a person now to preform the same activities.

The **Second** is what can you afford?

This is not a "For my benefit" statement. *For the spouse*, they can always use more money than it takes to just meet the expenses. If you can afford a better benefit to leave your spouse, do so.

For the very large policies, Financing plans are available.

Anything that you can do today to make your spouse's life better will be forever remembered.



What type of plan should you purchase?

There are several different plan designs to meet the various needs of everyone.

Your needs, goals, finances and health will guide you to the best plan. Follow the plan descriptions to better understand what is available.

Guaranteed Issue: The one's you see on TV . Claiming there are no health questions. The Catch: It's expensive measured by cost per thousand of coverage. If you die before the 2 year contestable period from "Natural Causes". You will not receive the face amount. Instead you will receive the premiums paid plus normally 10%.

You will see advertised \$9.95 per unit for everyone. How much is a unit? Could be only \$500, in which case you need a lot of units at \$9.95 to be useful. This is better than nothing to cover final expenses. Shop around.

Term: Term is good when used properly. It is priced according to your age, health and the Term. The term could be 1 year up to 30 years. Downside is that Life insurance is normally used when you are older. The older you are, the more expensive the insurance. Until it's become too expensive and then it crashes. Less than 2% of all term policies ever pay a death claim.

Whole Life: A plan that will have payments for life. You may reach a point that the internal cash buildup may help cover the cost from account values.



10 or 20 pay: A whole life policy. The total payments are condensed into either 10 or 20 years of payments. Then the policy would be considered as paid up.

Single Pay: One single pmt. to prepay the policy.

Whole Life + Term: Helping to reduce the cost by combining some Term with the Whole life to reach a desired benefit amount.

I want you to have full disclosure

Companies are Blending the insurances to keep the cost as low as possible. Universal Life, Index Universal Life & the Variable UL's, IUL's incorporate some term into the design. Remember THE PREVIOUS STATEMENT. As you get older, the term becomes more expensive. With the UL & IUL, this is seldom a problem as they are monitored by us. When your financing is subjected to the market, you may lose cast amounts of internal value. You may not be able to provide the quick out of pocket cash to keep the policy from crashing.

Universal Life: (UL) New concept from the 80's to provide more flexibility to the consumer. You may pay more, Less or not at all. Depending on how the internal cash build up is. The internal cash build up is with a set percentage. Great in the 80's when we had double digit interest rates. Not so now.



Index Universal Life: (IUL) Great improvement over the financial portion of the **UL**. More flexibility than ever before. LTC Benefits are normally included at no cost. To help pay the premiums, the internal account is tied to an Index (No Market exposure) much the same as an Annuity for rapid cash build up. No losses of internal values.

This is the plan that most prefer for protection at the lowest out of pocket cost.

Variable UL / IUL: Same plans, but the funding is tied to the market. When the market is good, everyone is happy. When it's not, the Broker hides. I have seen the values go so low that the company needed huge inputs of cash to keep the policy active, or lose it. That is a hard decision when you are close to needing the insurance.

I no longer provide any Variable Life Insurance or Variable Annuities. My clients do not need to come to me for answer's when the market has taken away any or their retirement funds.

Applying for a Life Insurance Policy.

The application for a policy is rather straight forward. What is your health like? How do you want to pay the premiums etc. It is highly personalized.

Not everyone is in perfect health. Depending upon a health condition you have, we may favor one company over another. They are all different in their underwriting guidelines.

Pricing: If your health is a concern. Companies utilize what are called "Tables". They will review health questions or medical records to arrive at a Table number. The factor for that table is then added to the Base cost. For example: A table rating may be a 5% or a 20% or a whatever % increase in premium.

When you submit an application. **You are offering** to purchase their plan as presented to you by the representative

If they do need to Rate or change your application for health reasons, *and they send you a proposal*, which replaces the original application rates. **The offer is to you. They are agreeable according to what they send you.** You then have the option to accept or reject the offer.

If you accept, you have your policy and it will be issued. Life Insurance, like Annuities are contracts.

Contract laws are in place.

Beneficiaries:

Life is continually changing.

When you first purchase Life Insurance, you will be asked for your beneficiaries. Over the years changes such as deaths, marriages etc will occur. Review your Annuities as well as your Life Insurances whenever any family changes occur. The companies are required to pay the listed beneficiary, regardless if it's correct or not.

Over Insurance: While we often may be under insured, we can also be over insured. A periodic review of all of your insurances may be in order.

Company Ratings: When looking at purchasing a policy, price is not the only factor. Look at the rating. A.M. Best is the most common. Any company with a rating of B+ or better will be safe. Below that, you do have the risk of a company failing you.

Disclaimer: This booklet is to be used as a guide in the decision making process to purchase a Life Insurance Policy. No company is recommended over another. No Tax or Legal advise is provided.

For specific information, consult the Insurance Company, The policy or the State Department governing insurance in your respective state.



Our Logo:

The logo depicts our commitment to you, our client for complete protection.

Providing health plans that will protect and provide the health care as you may need it. Without destroying you financially. Health care from Medicare Plans to Long Term concerns.

Providing Financial advise that will never have any losses. Ensuring that you can have a lifetime income. Keeping aware of the risks facing retiree's and their family. Reducing the risk of any losses.

Legacy. At end of life decisions are hard to make. We help guide you. To make certain that you are protected by having the proper Legal and Accounting advise. We are neither Attorney's or Accountants. But we ask you that have in place any work that you should require. Think of us as a coordinator to make sure all the pieces are in place for your legacy.



PROTECT
YOUR FUTURE



At Goodrum Financial, we realize that life is a journey. Filled with memories of our children and grandchildren. The places we have traveled to and the one's we want to. This booklet is but one of several that provides education and information to anyone that is planning on or has already retired.

Regards,

Richard Goodrum, RICP®



If you have any questions,
please call or Email us.

We can help you, even
if you are not a resident
of the State of Florida.

Richard Goodrum, RICP®

352.787.5061

877.822.3102

info@goodrumfinancial.com

www.goodrumfinancial.com

RICP: Retirement Income Certified Professional

