

**By Matthew Crider, JD
Family Wealth Protection Attorney**

There are some pretty basic reasons to carry life insurance. One of the top reasons we hear is that clients simply want to make sure that their loved ones will be cared for if the client dies other than “as planned.”

That’s certainly fair enough. We all want to make sure that our spouses and children have their financial needs met. With respect to children, they will have financial needs until they are out of college and on their own career paths. Spouses have a range of needs, depending on whether or not they work and whether or not they are the primary breadwinners in the family.

It Should Change At Retirement

In theory, the need for life insurance diminishes and should, in theory, disappear at retirement. The reason is that by the time you retire, your children should have their own careers, and you and your spouse should have enough money to live the rest of your lives in relative comfort. So the need for life insurance certainly diminishes over time (even though premiums often increase later in life).

The fact that the need for insurance diminishes over time does absolutely nothing to negate the fact that you likely need life insurance right now. So what is the point that we’re trying to make?

Ownership of your life insurance policy matters ... tremendously.

What we’ve been talking about is insurance on your life. The question, however, is who should own the insurance policy on your life?

Well, who do you trust not to kill you for ... wait, that’s not where we’re going with this.

Ownership of your life insurance policy matters because if you own the policy yourself, proceeds from the insurance will be included in your estate when you die. Yes, this is true even if you’ve designated a beneficiary other than your estate.

So in reality, something bought out of love (life insurance) can create a huge potential liability for your heirs, since tax rates on estates are some of the highest around.

And That Could Make Your Estate Taxable

On occasion, life insurance policies are large enough to move an estate from non-taxable status to taxable status. That's simply a waste of your family's money, because some very simple planning can solve the tax problem completely.

There are two simple ways to remove life insurance proceeds from your estate:

1. Totally relinquish control and ownership of the policy, or
2. Create a life insurance trust to hold the policy

In reality, these two solutions are really the same thing. They involve you giving up the rights associated with ownership of insurance policies on your life. The result is that the proceeds from insurance will not be included in your estate, and as a result, they will not be taxable in any manner whatsoever.

Setting up a Life Insurance Trust

It's not difficult for you to set up life insurance trusts – simply call us. If you have questions regarding whether or not your existing policies will move your estate into the taxable bracket and you'd like to do something about it, contact our offices.

About Matthew Crider, J.D.

Matthew Crider formed [Crider Law PC](http://www.criderlaw.net) in 1999 so he could help individuals and business owners by providing creative solutions and be their trusted advisor and legal counselor. He serves his clients by listening closely to their goals, dreams and concerns and working with them to develop superior and comprehensive estate and asset protection plans. His estate planning practice focuses on preserving and growing wealth by providing comprehensive, highly personalized estate planning counsel to couples, families, individuals and businesses.

