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MONTHLY NEWSLETTER

TFS Insurance Advisor

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INSURE YOUR LOVE
BROUGHT TO YOU BY LIFE HAPPENS®

From the Desk of

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this issue:

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Four Life Insurance Myths for the Young Family

For young couples just getting started, the future can seem boundless. Yes with new commitments, such as buying your first home or having children, comes the responsibility of making sure your loved ones will be provided for financially, no matter what life may bring. When you die, life insurance can help your loved ones maintain their standard of living and keep their plans for the future on track. So don't let these misconceptions stop you from getting the coverage you need.

Myth #1: I only need life insurance if I'm the primary breadwinner.
Whether you bring home the largest paycheck in your household or a smaller one, your family relies on your income, and it would be missed if something were to happen to you. Even if you don't work outside of the home, you probably need life insurance. Stay-at-home parents perform valuable services such as childcare, cooking, housecleaning, and household management, which can be costly to replace.

Myth #2: If I still need protection when the term policy ends, I can always renew the policy.
Term life insurance is popular with young families, as it typically offers the greatest coverage for the lowest cost. Term insurance provides protection for a specific period of time (the "term"), and needs that will disappear over time, such as a mortgage or a child's education. However, many families realize that even after the kids are grown and the mortgage is paid off, their need for insurance continues — to provide income for a surviving spouse, eliminate debts, pay taxes, etc. Because premium increases with age, renewing your policy when the term expires can be very expensive. Moreover, poor health may make renewal impossible.

Myth #3: I only need term life insurance.
Term life insurance makes sense for many young families because their need for coverage is great and their budgets are often limited. But that doesn't mean it's the only type of insurance you should consider. Permanent insurance policies provide a death benefit as well as other unique features such as lifelong protection and the ability to accumulate cash values on a tax-deferred basis, similar to assets in more retirement-savings plans. You can access the case values for important uses like a child's education or a business opportunity.* If these features appeal to you, it might make sense to buy a large face amount term policy, giving you the death benefit protection you need, and combine it with a smaller permanent policy. When your budget permits, you can gradually increase your permanent insurance coverage.

Myth #4: I can get a better rate of return if I invest my money elsewhere.
While the most important reason for any life insurance purchase is to provide protection for your family, permanent insurance policies provide you with the ability to accumulate cash values that grow over time

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Life Insurance. You do it for love.

Because he loved me,
He did the dishes,
Rubbed my feet,
Surprised me with tulips,
Took me to musicals even though he didn't like them,
Carried my bags while I did the shopping,
Held my hand.

He died of cancer four years ago.

Because he loved me,
I can stay in our home,
I can be here for our children,
I can afford to pay for their college education,
I can worry about the other things in life besides money.

He still loves me. And he still shows it.

Because she loved us,
She got us out the door in the morning,
Soothed rough days,
Planned great family vacations,
Worked hard but was always home for dinner,
Made the best mac-n-cheese,
Was our loudest cheerleader.

She died of cancer two years ago.

Because she loved us,
We can stay in our home,
The kids won't need to change schools,
Their college education is taken care of,
We can worry about the other things in life besides money.

She still loves us. And she still shows it.

Source: Life Happens

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and can be borrowed against or withdrawn.* And contrary to what many people believe, long-term rates of return on cash values are generally comparable to relatively low-risk investment products. Because understanding rates of return can be difficult, the best way to find the right solutions for your needs is with the help of an insurance professional.

*Withdrawing or borrowing funds from your policy will reduce its cash value and death benefit if not repaid.
Source: Life Happens

A Valuable Lesson I Learned

by Topher Otake | www.lifehappens.org

My mother was my best friend. She was my mentor and my companion. Despite the 400 miles between my school and hometown, we remained close and spoke every day about my new experiences as a first-year college student.

Then came the morning of Parent's Weekend. I was excited to hear that my mom was arriving, but instead I received a call from a state patrol officer. My mom had a heart attack in the car and been rushed to the university hospital. Later that evening, I held my mother's hand as she took her last breath.

The months that followed have been the hardest of my life. In addition to the extreme emotional, intellectual, and physical turmoil that comes with the loss of a parent, I was caught in a very difficult financial situation. My mom didn't have any life insurance, so the financial burden of her death fell onto the shoulders of my brothers and me.

I was forced to move out of my college dorm room and get a job that offers housing and a meal plan, as well as a job serving tables to pay for school expenses and bills. I work 50+ hours a week while attending school full time. Now I worry whether I'll be able to afford school next year.

The experience has taught me a valuable lesson. While we could never prepare for the profound emotional pain of losing a parent, we could have been better prepared for the financial burden. Life insurance would have eased the transition of life without my mother by taking the financial weight off of our shoulders.

Estate Planning Strategies in a Low-Interest-Rate Environment

The federal government requires the use of certain published interest rates to value various items used in estate planning, such as an income, annuity, or remainder interest in a trust. The government also specifies interest rates that a taxpayer may be deemed to use in connection with certain installment sales or intra-family loans. These rates are currently at or near historic lows, presenting several estate planning opportunities.

Low interest rates favor certain estate planning strategies over others. For example, low interest rates are generally beneficial for a grantor retained annuity trust (GRAT), a charitable lead annuity trust (CLAT), an installment sale, and a low-interest loan. On the other hand, low interest rates generally have a detrimental effect on a qualified personal residence trust (QPRT) and a charitable gift annuity. But interest rates have little or no effect on a charitable remainder unitrust (CRUT).

Grantor Retained Annuity Trust (GRAT)
In a GRAT, you transfer property to a trust, but retain a right to annuity payments for a term of years. After the trust term ends, the remaining trust property passes to your designated beneficiaries, such as family members. The value of the gift of the remainder interest is discounted for gift tax purposes to reflect that it will be received in the future. Also, if you survive the trust term, the trust property is not included in your

gross estate for estate tax purposes. If the rate of appreciation is greater than the IRS interest rate, a higher value of trust assets escapes gift and estate taxation. Consequently, the lower the IRS interest rate, the more effective this technique can be.

Charitable Lead Annuity Trust (CLAT)
In a CLAT, you transfer property to a trust, giving a charity the right to annuity payments for a term of years. After the trust term ends, the remaining trust property passes to your designated beneficiaries, such as family members. This trust is similar to a GRAT, except that you get a gift tax charitable deduction. Also, if the CLAT is structured so that you are taxed on trust income, you receive an up-front income tax charitable deduction for the gift of the annuity interest. Like with a GRAT, the lower the IRS interest rate, the more effective this technique can be.

Installment Sale
If you enter into an installment sale with family members, you can generally defer the taxation of any gain on the property sold until the installment payments are received. However, if the family member resells the property within two years of your installment sale, any deferred gain will generally be accelerated. The two-year limit does not apply to stocks that are sold on an established securities market.

You are generally required to charge an adequate interest rate (based on IRS published rates) in return for the opportunity to pay in installments, or interest will be deemed to be charged for income tax and gift tax purposes. However, with the current low interest rates, your family members can pay for the property in installments while paying only a minimal interest cost for the benefit of doing so.

Low-Interest Loan
A low-interest loan to family members might also be a useful strategy. You are generally required to charge an adequate interest rate on the loan for the use of the money, or interest will be deemed to be charged for income tax and gift tax purposes. However, with the current low interest rates, you can provide loans at a very low rate, and family members can effectively keep any earnings in excess of the interest they are required to pay you.

Effect of Low Rates on Other Strategies

- **Charitable remainder unitrust:** You transfer property to a trust, retaining a stream of payments for life or a number of years, after which the remainder passes to charity. You receive a current charitable deduction for the gift of the remainder interest. Interest rates have no effect if payments are made annually at the beginning of each year, and low interest rates have only a minimal detrimental effect if payments are made in any other way.

- **Qualified personal residence trust:** You transfer your personal residence to a trust, retaining the right to live in the home for a period of years, after which the residence passes to your designated beneficiaries, such as family members. The value of the gift of the remainder interest is discounted for gift tax purposes to reflect that it will be received in the future. The lower the IRS interest rate, the less effective this technique can be.

- **Charitable gift annuity:** You transfer property to a charity in return for the charity's promise to make annuity payments for your life (or for the lifetimes of you and your spouse). You receive a current charitable deduction for the gift of the remainder interest. The lower the interest rate, the lower the amount of your charitable deduction. Also, charities have generally been forced to reduce payout rates offered because of economic uncertainties and the low-interest-rate environment.

Financial Planning for Special Needs Children

The special needs financial planning process — to ensure that these children will be looked after — is a complex process involving taking specific actions.

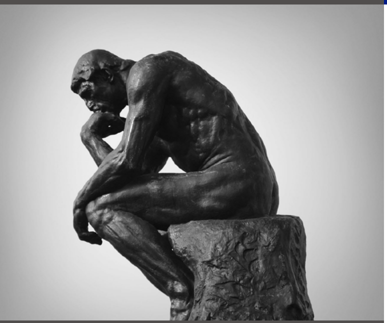
Prepare a will:
Describes how parents want their estate distributed.

Appoint a guardian:
The guardian will make decisions regarding medical care, finances, living situations, etc. for the special needs child.

Prepare a letter of intent:
Describes how parents want their special needs child to be cared for. It is not legally binding, but it does provide guidance for the caretaker or guardian.

Set up a special needs trust:
Very often the trust is funded by life insurance on the parents. Several different types of trusts exist: which trust is set up depends on the family's specific situation, so engaging experienced attorneys is important.

Appoint a trustee:
The trustee manages the money and assets — and makes sure that the special needs individual remains eligible for federal and state programs.



HERE'S A THOUGHT...

"Spread love everywhere you go. Let no one ever come to you without leaving happier."
- Mother Teresa

Investment Choices: Comparing Common Features

	Deferred Annuity	Mutual Fund	Corporate Bond	Bank CD	Treasury Bill	Stock	Money Market
Principal Protection	Yes	No	No	Yes	Yes	No	No
Tax-Deferred Compounded Growth	Yes	No	No	No	No	No	No
Social Security Benefit Tax Avoidance	Yes	No	No	No	No	No	No
Guaranteed Growth	Yes	No	No	Yes	Yes	No	No
Competitive Growth	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lifetime Income	Yes	No	No	No	No	No	No
Guaranteed Survivor Benefits	Yes	No	No	No	No	No	No
Probate Avoidance	Yes	Maybe	No	Maybe	No	No	No

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