SONS OF NORWAY

ADVISOR

HELPING YOU FIND THE PATH TO A SECURE FINANCIAL FUTURE

2nd Quarter 2011 • Issue #19

Time to Make Your Summer Plans

This is one of my favorite times of the year. The weather is getting warmer, the days are longer and I always feel reinvigorated after a long winter. It's a great time to make plans for the summer, whether they are trips to the beach, time on the golf course or a family vacation. It's also a great time to think about your financial future and make plans for the rest of the year.

I believe that life insurance plays a big role in those plans and deserves significant consideration as to how it fits into your financial goals. To that end, I've got some great articles that I think will be of interest to you no matter what stage of life you are in.

In this issue you will find a great article that approaches life insurance from a little different angle than most people would normally consider. When you read the article from Director of Agencies, Leonard Carlson, you may find yourself having an "Ah-ha" moment and thinking about life insurance as a piece of property that can be a gift of love and devotion to the people you care about most.

There's also a great article from Sons of Norway Advanced Financial Consultant, Ken Thul, which discusses a number of ways you can use life insurance to enhance your retirement and leave a legacy for your loved ones. For example, have you ever considered how life insurance could help maximize your pension, keep a family business in the family or fund a college education for your grandkids? If not, then this article is just for you.

I hope that you will find the information to be of great interest and worth sharing with other friends, family or lodge members. If so, I invite you to lend them your copy of the Advisor so they can benefit from it as well. In closing, I hope you are enjoying your springtime and want to remind you that I am always available to answer any questions you might have about topics covered in this or other issues of the Advisor.

More Ways to Solve the Financial Puzzle with Life Insurance

By Ken Thul, CLU, ChFC, FICF Advanced Financial Consultant

Life insurance provides money exactly when it is needed, at a discount, and with great tax breaks. Here are a few creative ways to use life insurance.

Life Insurance Allows You To Maximize Your Pension: When retiring, take the pension option that pays the highest monthly income for you, but does not provide a monthly payment for your spouse if you die first. Use the difference between the higher single life option and the lower joint life option to pay the premium on a life insurance policy on yourself. When properly designed, the tax deferred interest and the accumulated cash value of the policy will exceed the policy expenses and your out of pocket premium payments can be stopped (more retirement income). When you die and your pension stops, the life insurance is used to provide lifetime monthly income for your surviving spouse.

Life Insurance Helps Pass The Family Business To The Next Generation: Bill and Carol have owned and operated a successful family business for 40 years. They have four adult children; three have left the family business for other careers. Their son Paul is a partner in the family business with Bill and Carol and wants to buy the business, but he cannot afford to borrow the money to buy it. Paul buys a life insurance policy on Carol. When Carol passes, Paul buys 3/4s (he will inherit the other ¼) of the business from Bill or Carol's estate if Bill passes before Carol. The siblings get money, Paul gets the business and there are no family feuds.

Dump The Traditional IRA, Pay The Income Taxes And Get On With Life (Insurance): Bob and Mary will be retiring this year. They both have good retirement pensions. They have been thrifty over the years and have significant savings and investments. Bob and Mary would like to leave a legacy to their kids and grandkids. Additionally, Bob has a Traditional IRA with a $120,000 balance. One thing bugs Bob. In five years he will have to start taking Required Minimum Distributions (RMD) from his IRA. They does not need or want the extra income, this will throw a wrench in their income tax planning. The solution: Cash out Bob's IRA now while income tax rates are as low as they may ever be, pay the income taxes, and purchase a life insurance policy with a single deposit of $102,000, the after-tax remains of that IRA. Look at these benefits:

1. Mary is the beneficiary of a $250,000 life insurance policy when Bob dies, to be received tax-free and without probate. That's considerably more than the $120,000 taxable IRA she would have received otherwise.
2. Bob and Mary have a high degree of tax favored liquidity in the surrender value of the life insurance policy if they need it during their lifetime.
3. If Mary does not need or want the death benefit of the life insurance policy at the time of Bob's death (should he die first), she may file a Qualified Disclaimer, thus passing the life insurance proceeds to the secondary beneficiary, their kids. Mary does not receive the proceeds nor does it count in her estate for estate tax purposes.

Grandparents, Use Life Insurance To Fund College Education: Many grandparents want to leave money for a college education fund for their grandchildren. Life insurance is the perfect answer. A Single Premium Life Insurance policy on grandpa or grandma (or both) with a one-time single premium payment equal to the present value of the future need works wonderfully. The cash fund will grow tax-deferred and be available for use when needed. If the grandparent(s) die before the grandkids go off to college, the life insurance completes their legacy of college education funds to the grandkids.

Life Insurance

A Valuable Piece of Property, Now More Than Ever

By Leonard Carlson, Director of Agencies

How do you show the most important person in your life that you care about them and their wellbeing? Some might do it with a candlelight dinner, while others might choose a romantic get-away vacation. But if you want to make a truly meaningful and long-lasting statement about how much your loved one means to you, consider life insurance.

It probably sounds odd, but it's the ultimate selfless gift that shows you want to make sure they are always safe and happy. Think about it: you won't be around to see or experience the death benefit of the life insurance you buy for yourself. But the proceeds of a policy would benefit your loved ones for many years after your death.

What's even better is that life insurance is a valuable piece of property because it holds its value even in an uncertain economic environment. While many aspects of people's financial lives look bleak at times, life insurance continues to do exactly what it was designed to do – serve as the foundation of your family's financial security. If you own or purchase term insurance, the death benefit it would provide the same security it did a year ago. If you own a Whole Life or Universal Life policy, your death benefit is also guaranteed and over the past year, your cash values have grown, not declined. So, in this uncertain economy, you can take comfort in knowing that life insurance, whatever type you may own or intend to buy, can provide some certainty and stability at a time when both are in short supply.

Some additional thoughts on why permanent life insurance, such as Whole Life or Universal Life, are valuable pieces of property. Think of permanent life insurance as a piece of property, however, you don't need a big down payment, instead paying a monthly premium, and you don't need a credit check in order to purchase it. A portion of your monthly payments will be refunded to you (on Whole Life products) in the form of a dividend. The cash values grow on a tax-deferred basis, and if you choose at some later time, you may borrow against the equity in your policy and get a loan without any questions or pre-qualifications.

Finally, regardless of how many payments have been made toward the piece of property, your life insurance policy, your heirs, whoever is named beneficiary, will receive the death proceeds income tax free.

Hopefully it's easy to see that life insurance offers your loved ones the security of knowing that even if the worst were to happen, there would not have to be a drastic change in lifestyle. Bills would get paid, your home would stay in the family and long-range financial plans, like education and retirement, would remain on-track.

So, if you want to make a strong statement of devotion, take the time to review your life insurance needs, no matter whether you are 25 or 80 years old. Make this the year to sit down with one of Sons of Norway's Financial Benefits Counselors and complete a complimentary financial check-up to help plan out your family's financial security.

Advisor Answers

by Leonard Carlson, Director of Agencies

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Q: "When should I start drawing Social Security checks? I talk to friends who, like myself, are approaching 62 and read articles about it. What would your advice be?"

A: The decision to start drawing Social Security at age 62, is a personal one. The answer depends on a number of factors, such as your current cash needs, your health and family longevity, whether you plan to work in retirement, whether you have other retirement income sources, your anticipated future financial needs, and the amount of your future Social Security benefit.

For example, depending on family longevity, your retirement may be a lot longer than you think, so make sure to plan for the long term. Many of us will live longer than the average retiree. About one out of every four 65 year olds today will live past age 90, and one out of ten will live past age 95. When making your decision you may need to take this into account.

Next, consider how your decision could affect your family. Your spouse may be eligible for a benefit based on your work record – spouse benefits are reduced if claimed before the spouse's full retirement age. If you die before your spouse, he or she may be eligible for a survivor benefit based on your work record. If you begin receiving Social Security benefits early, they can't pay your surviving spouse a full benefit from your record. Also, if you wait until after the full retirement age to get benefits, your surviving spouse, if he or she is at least full retirement age, will receive the same benefit amount that you would have received.

Also consider if you want to keep working after you reach full retirement age; you can do so and still receive your full Social Security benefit payment. Now if you choose to start drawing benefits at age 62, you can earn up to $14,160 in 2011 and still receive your monthly benefit. If you exceed $14,160, $1.00 in benefits will be deducted for every $2.00 you earn above the annual limit.

So with these facts and thoughts to think about, I am sure you'll make the right decision for you.

Advisor is provided by your Sons of Norway Financial Benefits Counselor as an additional service to you.

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Advisor is a publication of Sons of Norway. It is designed to provide accurate information with respect to the subjects covered.

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