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## Checklist for Buying Cash Value Life

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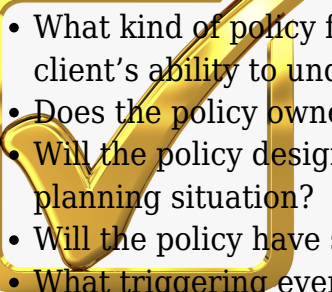
By Steve Parrish    *Thu, Nov 19, 2020*

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*Follow the steps that Steve Parrish of The American College has assembled here when helping a client obtain the right cash value life insurance policy.*

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### Product selection

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- What kind of policy fits the situation, both in terms of the usage of the policy and the client's ability to understand and accept the attendant risk?
  - Does the policy owner understand the policy and strategy?
  - Will the policy design fit the intended investment risk strategy for the retirement planning situation?
  - Will the policy have sufficient flexibility to accomplish the strategy?
  - What triggering events in the policy will accomplish the retirement strategy?

### Policy illustration

- Does the prospective buyer understand the functions and risks of the proposed product?
- Can you provide independent articles to help the purchaser understand the differences between types of policies?
- Can you provide independent articles on using the policy in a retirement income strategy

### Plan integration

- Does the client understand how the policy strategy integrates with his or her overall portfolio and plan?
- In a buy-sell situation, how will the policies be owned (entity versus cross purchase)?
- In an individual retirement situation, how will the policy's withdrawals and loans coordinate with the client's overall asset location and income withdrawal strategy?
- In the case of company-owned life insurance (COLI) deferred compensation situation, how will the policy's sub-accounts be coordinated with the executive's investment selections?

### Plan implementation

- Are the ownership and beneficiary designations correct?
- Has the policy placement process coordinated with other legal necessities?
- Has the insurance advisor worked with other professional advisors in coordinating the life insurance policies with the retirement strategy?

### **Plan administration**

- Has an approach been established for monitoring and reviewing the plan with the client and other professional advisors?
- Have triggers and procedures been established for implementation of the strategy upon the insured's retirement, particularly where the owner is not the insured?
- Would it be better to annuitize the cash value using either the policy features or a 1035 exchange?
- Once the policy has moved into the income stage, will automated procedures accomplish the strategy?
- Cessation of premium payments
- Continuous payments made from the insurer to the policy owner
- Switching from death benefit B (increasing) to A (level)
- Switching from withdrawals to loans once basis has been withdrawn from the policy
- A method to prevent the policy from lapsing when policy values are exhausted (reduced paid-up, etc.)

### **Practice management**

- Is the advisor complying with regulations pertinent to the presentation and sale of life insurance such as NY Reg 187, Reg BI, etc.?
- Is there a process in place for monitoring insurance company changes and their possible effect on in-force policies?
- Is the advisor monitoring for impaired financial ratings, mergers, cost of insurance (COI) changes, etc.?
- Is the advisor requesting annual in-force illustrations in order to monitor policy performance?
- Is there a process for monitoring changes in tax policy and its attendant effect on the retirement plan?
- Is there a process for monitoring changes in the client's financial situations and the attendant effect on the anticipated retirement plan?