



FINANCED LIFE INSURANCE: EXPANDING LOW-INTEREST ENVIRONMENT POSSIBILITIES

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With external factors shutting down many of our daily habits and altering our professional lives, we naturally seek guidance to navigate the unknown. Information is coming in from all types of sources, and the fluctuating financial markets are a constant reminder that the only certainty is uncertainty. On the brighter side, we are finally given the chance to unsubscribe to unwanted emails from companies who want to let us know they are “here for us.”

We can focus on evaluating what normally keeps us busy and create new habits around the core values that are most important in each sector of our lives. We can also explore opportunities to expand what’s possible in this current low-interest environment.

Our economy does not look at all like it did just a few weeks ago, and it may not look that way anytime in the foreseeable future. The Fed has cut interest rates in an effort to incentivize the economy and paired its intentions with stimulus opportunities for individuals and businesses to keep “normal” life in motion. In addition, I’ve observed that media outlets have been offering differing opinions and minimal consistency, with only one thing in common: uncertainty. So, why not take advantage of the opportunities that are in your control and will lead to better financial outcomes for you and the people and interests that are important to you?

OPPORTUNITIES FOR BETTER FINANCIAL OUTCOMES

Several significant opportunities have recently gained awareness and allow a consumer to expand what’s possible in this low-interest-rate environment with life insurance. Here are three concepts to consider:

- 1. Don’t let your insurance lapse or jeopardize policy guarantees.** With our current economy, many individuals and businesses are looking for alternatives to maintain liquidity. Nonfinanced, in-force policies with cash value buildup could present a prime opportunity for conversion to a leveraged policy, using the cash value as collateral to finance the transaction and provide an alternative way to pay premiums. This concept will free up cash flow to be used for other purposes while allowing the purchase of a larger and more impactful policy.
- 2. Convert temporary or underperforming policies to indexed products to track the market and provide a ‘floor.’** Whole life cash value loans are expensive and may provide an opportunity for refinancing at a lower rate while still participating in dividend crediting. This is also a prime time to use the cash value from poorly performing products to fund newer and more modern index solutions that provide a floor of zero. In addition, this undervalued financial market provides a perfect window to consider converting a term policy to a permanent one and also lock in insurability, as carrier requirements may change in the very near future due to this evolving health and economic environment.
- 3. Explore an alternative to purchasing the amount of insurance you need, not the amount you think you can afford.** For individuals, families and business owners who have been on the fence about moving forward with implementing a life insurance policy, exploring the financing option during this time can provide maximum insurance benefits, while minimizing out-of-pocket costs. This allows buyers to purchase the amount of insurance needed, not the amount they are willing to pay for.

KEY CONSIDERATIONS OF IN-FORCE FINANCED POLICIES

With individuals and businesses tapping into credit lines to combat the slowdown in traditional cash flow, banks that had previously offered premium finance lending may require a second look. Life insurance policy owners of in-force financed policies should check with their current lender to ensure they will be able to continue servicing their loan offerings going forward. In addition, financed policies that may have been sold under the guise of minimal funding could potentially require additional collateral if the policy did not perform as originally intended.

Premium financed life insurance transactions can provide tailored solution opportunities for individuals and businesses that believe in the concept of leverage. In the current low-interest environment, there are several ideas to consider around in-force policies, continued lender capabilities, and opportunities for refinancing and conversions to more optimal products.