

Wealth Reflections

Insights on building, preserving and passing wealth
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A Gift beyond Wrapping Paper and a Bow

By Gwen K. Harvey, B. Comm., CFP, CLU, TEP

When I was a University student my father bought me a whole life insurance policy. Unlike a regular wrapped gift tied up with a bow, this present required a visit to the insurance company's office, a conversation with a stranger and the completion of an application with medical questions. As I arranged my trip downtown a dark cloud hung over me. Lurking in the background was a sense of dread that I couldn't quite shake.

My meeting with the sales manager turned out to be quite different than expected. Before explaining how the policy worked, he spent time asking me to think out into the future. Where would I be in 10 years' time? What type of work would I be doing? Would I have a home, be married, have children? As I answered and we drew out a picture of the years ahead I felt the future and the responsibilities that would inevitably approach. When we then explored how the insurance program allowed protection and savings to grow over time, provided guaranteed options to increase coverage when needed and ensured there was protection for my future family, the penny dropped. This was an interesting, progressive planning program full of good. It was not the dark and morbid product I had assumed.

Fast forward 30 years – my very first policy has tripled in size. It did not require external investment management and decision making. With steady premiums into the plan it delivered the promised guaranteed values and tax protected dividends every year. The guaranteed options that came up regularly through my 20's and 30's were useful to keep me on track to review and purchase additional programs based on my family's needs, so I could always keep the family safe. Initially I supplemented my planning with large levels of inexpensive term (rented) insurance, but over time I converted those plans to whole life so that I could build a meaningful estate planning tool for the future. The substantial cash values now within my policies sit on my investment spreadsheet. They have a curious and comfortable feature where the cash values are guaranteed to go up each year and can never go down.

Their steady compounded growth provides results that rival the average investment manager in good years, and makes them one of the stars of the pack during rocky markets.

As my three children were born I completed applications and began whole life policies for each of them. With my children now becoming the age I was when I began my first program, they are well along the product's growth curve. Their programs have more than doubled in size. Since these plans grow at an increasing rate over time they will all have meaningful policies, with additional guaranteed options that they can purchase, when responsibilities to others begin to form in their lives.

Working with clients and addressing insurance for their children is a sensitive issue. I am aware that the conversation can feel dark, but know that the power of this product is tremendous. It protects those we love – our children, and their future families. It illustrates the power of compounding and patience within investing. And it allows a parent to give a child a financial present that is about caring and responsibility for others. At a time when affluent parents wonder about how to ensure their wealth is a constructive and not a destructive force in their children's lives, this financial present is one to consider.

Every now and then when I am reviewing my policies I can't help but glance at my very first program. The paper has yellowed some and the original illustration has a type face no longer used. But a smile always comes to my face as I see the names on the front page. The insured is still me, but the original policy owner space has my Dad's name typed on it. This present may not have come wrapped up and tied with a bow, but it certainly has been an impactful gift, and definitely one that will be protected and kept.

If you have any questions about this or other planning areas, please give us a call.