

Wealth Reflections

Insights on building, preserving and passing wealth
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Insurance as Dual-Purpose Money that Changes with You

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

Insurance as Dual-Purpose Money

This winter, I bought a hardy coat with a cozy thermal lining that was zipped inside a wind and water proofed shell. As the snow swirled outside the store and I was happy to have the two pieces of the coat tightly together, in the back of my mind I knew that when spring came, the rain jacket on its own would be very helpful.

Today as we build our lives to meet the predicted or unknown changes ahead, there is something both comforting and wise in choosing **dual-purpose products**. **These products will move with us**. This flexibility can be the bright path that leads us more comfortably through change.

Participating Life Insurance, defined as a life insurance policy that pays dividends from the profits of the participating pool, **is an excellent example of a dual-purpose financial product**. From the moment the first monthly or annual premium has been paid, a comparatively large, tax-free sum is in place for the chosen beneficiary. Over time, if premiums are continued, this sum will grow without further medical testing of the insured, regardless of health changes. If a static level of coverage is preferred, premiums can be stopped when the dividends can carry the payments. **The first purpose of this financial product is to provide instant money at death – a very helpful estate planning tool** to assist with debt elimination, income replacement, and the payment of taxes (from stock positions, shares in businesses and properties beyond one's personal residence).

However, Participating Life Insurance also has a second purpose: it allows the policy holder to build an

asset that is available for use during the insured's lifetime. **Cash values**, defined as a combination of guaranteed cash reserves and credited dividends building within the policy, **are available as cash, a loan or for collateral purposes**. These cash values are notable for being tax-sheltered as they accumulate and the values once credited only go up and never down. **While those who purchase participating plans are attracted to the long-term tax-free insurance death benefit, the flexibility afforded by the cash value continually proves to be useful over time**. Acting as "quiet money" the cash value's presence is a private reserve for unanticipated calls on cash. Whether it helps as a form of bridge financing for challenges or opportunities, or whether it becomes a well to draw on as a long-term solution, **the participating policy's dual-purpose nature creates extraordinary value when life presents the unexpected**.

While we are very much aware of how real estate purchased for personal use can hold the dual purpose of a living space today and equity for other purposes in the future, most financial assets do not hold dual purpose functions. Participating Life Insurance is fairly unique.

So as warm spring showers arrive and we un-zip thermal linings from our rain shell covers, consider the enhanced value of purchasing dual purpose products that change with you. Participating Life Insurance is an excellent **complimentary asset** to investment portfolios, shares of a business, and real estate. In addition, **its dual-purpose nature provides flexibility to meet change**. All very helpful when we find that change has become a constant factor in planning.

We invite you to have a conversation with us. Best regards, Gwen

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