

## THE SHIFT TOWARD LIFE INSURANCE

*Why might the wealthy be directing more money into this middle-class bedrock?*

Presented by Glazer Financial Network

For generations, Americans have thought of life insurance as a midlife purchase of the middle class. Today, that perception is less accurate.

**Wealthier Americans seem to be buying more life insurance.** Affluent individuals are recognizing what it may help to accomplish for their families and their companies. They see the twofold tax break offered by whole life and universal life policies - the death benefit goes untaxed, and the policy has a chance to accumulate cash value through a tax-deferred savings or investment account.

As tax rates may rise before the end of the decade, cash value life insurance may seem increasingly attractive to those in the top tax brackets.

Here is some recent history to mull over:

- In 2007, a striking 55% of tax-free investment gains inside universal life and whole life policies belonged to the wealthiest 10% of U.S. families. In fact, 22% of these assets belonged to the richest 1% of American families. (That data comes from the Federal Reserve.)
- In that same year, the life insurance industry research group LIMRA conducted a survey for the *Wall Street Journal*. It found that policies for \$2 million and more comprised almost 40% of the face value of whole life and universal life policies sold that year. In 1997, large policies made up just 10% of the life insurance market; in 1987, they made up 1% of it.
- Prudential Financial Inc. says 31% of its life insurance policy sales in 2009 were made to households with investable assets of more than \$250,000. In 1999, that demographic accounted for just 19% of its life insurance policies in force.<sup>1</sup>

When you consider that households with adjusted gross incomes above \$250,000 face a 0.9% income tax increase and a new 3.8% investment income tax in 2013, you have yet another factor that may contribute to the trend.<sup>2</sup>

**An option to consider.** Whether you see life insurance as an alternative investment or merely a resource to pay estate taxes or facilitate a buy-sell agreement, it may have merit as a complement to your retirement strategy - especially given the volatility of the stock market and the possibility of higher income taxes in the next few years.

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**Citations.**

- 1 [online.wsj.com/article/SB10001424052748703435104575421411449555240.html](https://www.wsj.com/article/SB10001424052748703435104575421411449555240.html)? [10/3/10]
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