Collier Legacy Planning llc

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Himmel Futter

One of my favorite recipes as a child—and still today—is an old German torte called "Himmel Futter" which means Heavenly Food in German. There are many variations of this recipe, but this is my Grandma's and Mom's version of it.

Mix together and put into a buttered 8" by 8" cake pan:

2 eggs
1/2 c. flour
3/4 c. sugar
1 tsp. baking powder
1 tsp. vanilla extract
1/2 c. chopped dates (or other seasonal fruit)
1/2 c. chopped walnuts

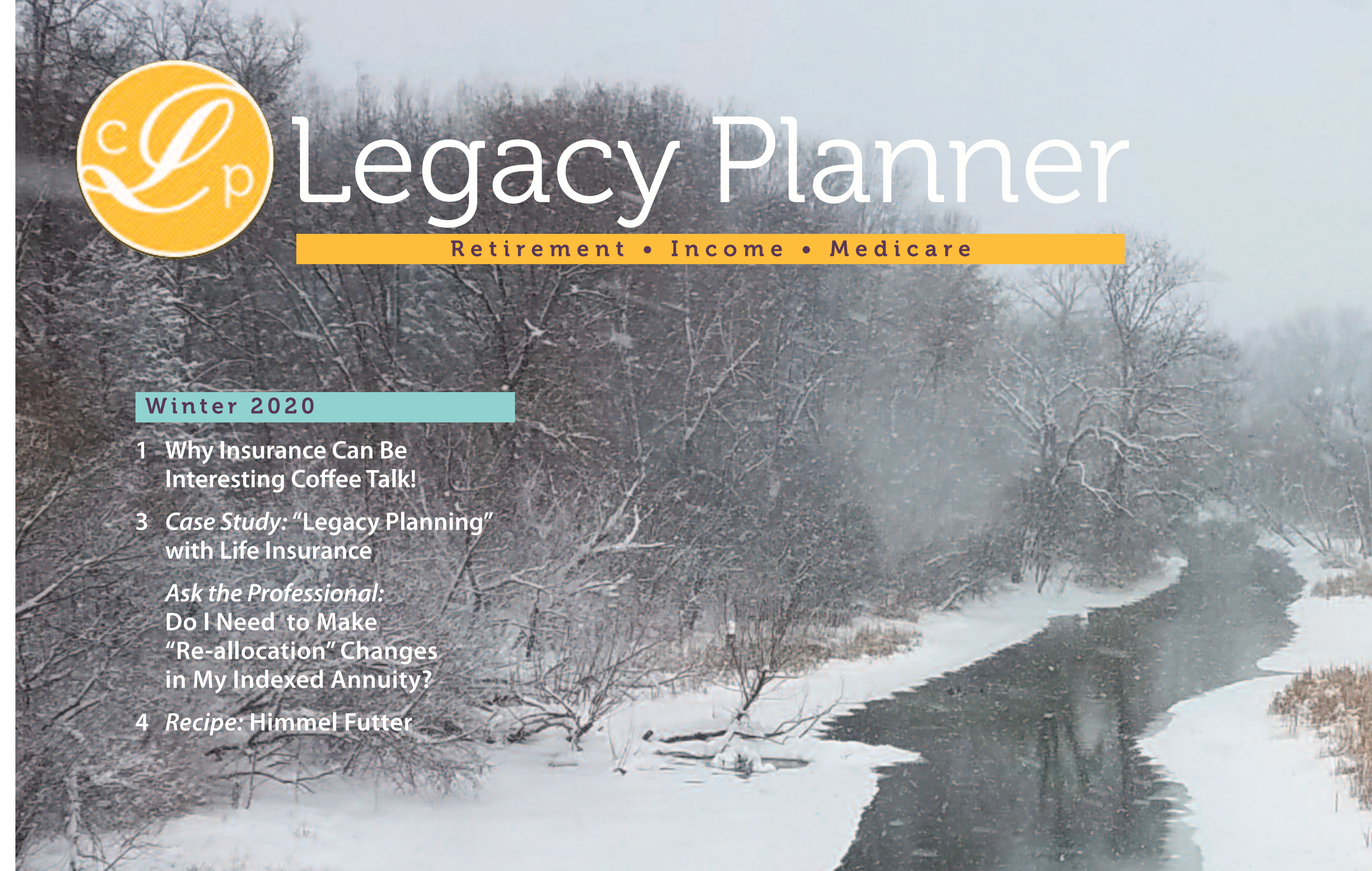
Bake at 350 degrees for 30 minutes or until cake tests done. Cool. Break into small pieces and put into a serving dish.

Add fruit. Our family uses one can of crushed pineapple and then a layer of sliced up bananas over the whole torte.

Just before eating top the whole torte with whipped cream. Cool Whip is fine in a pinch.

Enjoy this old, simple, traditional German recipe any time of the year! —*Submitted in behalf of Elizabeth Schlaefer by her daughter Barbara*

Photo: tomascastelazo, Wikimedia Commons



Legacy Planner

Retirement • Income • Medicare

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Why Life Insurance Can Be Interesting Coffee Talk!

By Raymond Loth

I recently attended a seminar in Phoenix for retirement advisors where one of the featured speakers was Tom Hegna (in photo at right), a nationally renown expert in the financial services and retirement industry. He spoke humorously of the "waffle house wisdom" (insert McDonalds, Main St. café, etc.), where local townspeople often address and presumably solve(?) many of the important issues in our lives over morning coffee!

I would like to share 3 components of life insurance that deserve to be part of the conversation. Those 3 components are: **(1) Long Term Care cost**, **(2) wealth transfer**, and **(3) tax avoidance**. While the primary reason for life insurance is, and should be, the death benefit, these additional components are very valuable.

While I highly value term life insurance for midlife income earners, what we are talking about here is permanent life insurance. Realistically, the life insurance that served your needs in your 30s and 40s may not do so in your 60s, 70s, and beyond. In addition to your needs, age, financial circumstances, and objectives having changed, the industry has also. Some significant policy benefits did not exist in the past.

Also, thanks to medical sciences, life expectancy has increased significantly and therefore the base cost of life insurance is actually cheaper with new policies than older ones! Really!

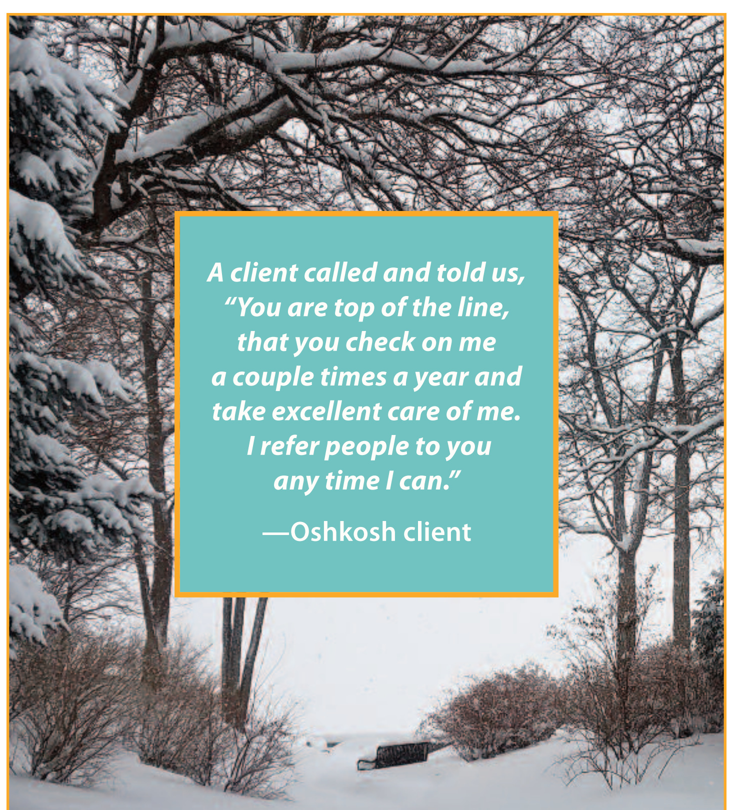
*One recent example was of replacing an old policy, **paying the same annual premium, and increasing the death benefit from $75,000 to $175,000.*** *Additionally, the new premiums were guaranteed not to increase and the policy had a LTC type benefit to access the death benefit if needed.*

"Why Life Insurance Can..." continues on the next page.

"Why Life Insurance Can..." continued...

1 • Long term care (LTC) cost. This might be the most compelling part for many. In recent years some life insurance companies have started to include an accelerated death benefit (ADB), or "living benefit" rider available in the event of a chronic illness. This involves satisfying 2 of the 6 activities (eating, dressing, bathing, toileting, transferring, continence) of daily living (ADLs) or cognitive impairment. A similar (ADB) for terminal illness has already been common for many years. This additional living benefit for chronic illness (LTC) **offers a significant benefit for those who would like to address the LTC concern but do not like the idea of paying for a traditional LTC policy that they may never use.** With life insurance you leverage dollars for this risk, all the while knowing that your beneficiary(ies) will receive the death benefit if you don't need/use LTC. The $339,000 death benefit amount below, and in the Case Study (on page 3), would accelerate about $81,000/yr. from the death benefit as the basis for the LTC-type payment. The cost of this rider (like the very common terminal illness rider) is taken off the money accelerated from death benefit ONLY IF you end up using it!

2 • Wealth transfer. Wealth is a relative term, and however much you have accumulated, and would like your loved ones to benefit from, is important. *Parents, and grandparents, sometimes have money specifically set aside for their family to take possession of as an inheritance…or they know that's where it will end up.* Life insurance is also a very important and **valuable tool when seeking to care for a widow(ed) spouse and compensate for loss of Social Security or pension income,** or to balance an estate to the next generation when a farm or other business will pass disproportionately to only one child. No doubt you'd like to maximize the dollars you leave for your spouse and/or other loved ones. Life insurance is a well-established, and very powerful way to leverage and maximize the future use of your money. For example a 63 year old female in relatively good health can turn $100,000 into $339,000** for her estate, and/or for potential LTC needs. While this may be a new concept to some, when considering these 3 points many have recognized the **unparalleled value of this financial instrument for a family's financial planning.**



3 • Taxes. "Two things are certain in life: death and taxes"…right? Well, the IRS has made a way out of one of these.** I hope that people are talking about the fact that the money we transfer to our loved ones through life insurance generally **passes to them without income tax** on the increase. Not tax deferred, tax free! That is a big deal!

Let's take the example noted above where $100,000 turns into $339,000 for your loved ones. How much do your spouse, children, etc. actually get from a taxable account? EVEN IF it grew to the same $339,000, only a combined 25% federal, state, and FICA tax (on the growth) would reduce the account by $60,000! So your loved ones get $279,000 and the IRS gets $60,000. With life insurance, the IRS gets $0 and your family the full $339,000! It is actually worse though, because in many cases, **you'd actually have to be paying the tax bill yourself while the account is growing!** So if you thought you stopped paying your kids bills at 18 (or whenever they actually moved out, finished college, got a real job, etc.) you might actually be paying the tax bill on their (future) inheritance while you are trying to get the most out of your retirement.

> *Tom Hegna says that retirees can feel so hampered by expenses that they don't join the golf club, buy the boat, or go on the cruise—then when the kids get the inheritance THEY go ahead and join the golf club, buy the boat, and go on the cruise! His solution, and the one we are providing, is not to leave your kids money, leave them life insurance instead—and you spend the money, and reduce your taxes!*

So next time you think, or talk about, life insurance think about: (1) protecting yourself from long term care costs, (2) passing on the most you can to you spouse, etc. and (3) eliminating the IRS as a co-beneficiary. **No other financial instrument combines, much less GUARANTEES, these 3 highly valuable benefits.**

If you would like to discuss how these objectives may align with your circumstances, please call Ray at (920) 233-0033. There is no cost or obligation to getting together in the office or with the application/underwriting process. *—Raymond Loth*

* Information and estimates are only intended to demonstrate concepts available and are incomplete and subject to company-specific information. Some figures, while retaining accuracy, have been adjusted for purposes of confidentiality.

** I would be amiss if I didn't at least acknowledge, and advocate, the benefits of ROTH and HSA accounts here.

> ***"But while employers have gotten better at coaxing employees to save for retirement,… they're only starting to help workers solve the other side of the equation. 'A big piece of that that's been missing is that guaranteed income in retirement.' ANNUITIES: More companies are looking at adding products designed to offer guaranteed retirement income."***
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> **—Sarah Max, "How Companies Are Helping Workers Turn Savings Into Income,"** ***Barron's*****, 11/18/19**
> **(with quote from Angela Antonelli, Center for Retirement Initiatives at Georgetown University)**

Case Study

"Legacy* Planning" with Life Insurance

This case study is a good example of **legacy planning, which is generational benefit planning**. After helping Mr. & Mrs. X with Medicare planning, they came to us to inquire about how best to utilize some of their assets to protect the estate from possible LTC costs and to also preserve an inheritance for the next generation and beyond.

We used some funds for general income, and then some to guarantee additional lifetime income beyond Social Security. With their primary needs cared for we could now consider using some of the other funds to plan for the above secondary concerns. We discussed the unique benefits of using guaranteed, permanent life insurance. This provides for **tax-free wealth transfer to the next generation** while at the same time leveraging the dollars put into the policy for one's own possible LTC costs should that need arise. This is because some life insurance companies now **allow access to the death benefit, while living, for LTC type needs**. The family felt that $100,000 would be a good amount to use for these objectives by setting up a policy on the 63-year-old healthy female.

As for the funding method and choice of company I explored various options and companies in consultation with multiple other professionals that I work with. We choose to present to the clients a fully guaranteed policy with an A+ rated carrier that had been in business since 1886. **The client was able to secure a death benefit of over $339,000 with the use of the $100,000.**** This policy would accelerate about $81,000/yr. from the death benefit as the basis for a "chronic illness"/LTC-type payment. (Please see main article on page 1.)

We also employed a funding method for the $100,000 utilizing a separate company which provided additional benefits including: (1) if the client died prematurely the beneficiaries would receive the $339,000 life insurance AND the remaining funds in company B, (2) Company B would provide an additional benefit if the client needed LTC, thereby adding to what the life insurance policy would already do in this regard.

In conclusion, we often refer to the products that we represent as "financial tools" or "instruments". That is appropriate because they are in fact customizable and can be designed for your specific objectives and family's needs. We very much appreciate the opportunity to work with our clients and their families so as to understand your circumstances and then educate you on how you can direct your hard earned dollars to address your objectives-for years, even generations, to come! *—Ray Loth*

* While the term legacy sounds a little ritzy it is really a *principle based term* and doesn't actually require unusual wealth. The objective is good planning and using what you have wisely so as to benefit yourself, and then leave something for your loved ones if circumstances permit.

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Ask the Professional…

I received a "re-allocation" form to make internal changes to my indexed annuity* account. Do I have to do something with this?

The short answer is: No, you do not. We set these allocations up when we open the account. They can however be adjusted, usually each year. Most companies copy me on the annual mailings, and I always take some time to review them. Based on my observations I will then follow up with you as needed. Some accounts have been set up to give me permission to make internal changes without having to involve you. Some clients like to get into those details, the majority however are not that interested in… "how the sausage is made".

Let's roll up our sleeves (a little) for a moment though, shall we? Indexed annuities are 'linked' to various indices like the S&P. They also have a number of different options for how to track the movement of the respective index. These methods include: annual, monthly, caps, percentages, volatility controlled, etc. It is the percentage of your account value in each of these various tracking methods that can be re-allocated with that annual paperwork. The performance of these various sub-accounts is dependent on *how, when, and even the specific pattern of movement* in the market over a policy year.

Oftentimes we maintain the original allocations for many years. At times however I may reach out to you to discuss some internal re-allocation options. Of course, there is no way to know with certainty how each sub-account will perform during the fingerprint of the next 365 day period in the market. Over the years however we have gotten a feel for which tend to play out well. I also continue to do research on the historical tracking of these various options and new ones that become available.

As a concluding reminder, all of the methods of indexing available in the accounts that we set up provide the following primary benefits to you: (1) **guaranteed principal protection** through times of volatility, (2) the ability to realize **growth from upward movements** in the market, and (3) you are guaranteed to **also keep and protect all of your credited growth**.*—Ray Loth*

* We are not discussing the traditional "Fixed" annuity which has only the fixed interest option. Indexed annuities however are a type of fixed annuity, but with various indexing options.