

# POLICY REVIEW PROCESS:

## INDIVIDUAL PLANNING

### The Importance of Policy Review

Life insurance is an important part of an overall financial plan. Conducting regular reviews of life insurance policies helps determine whether existing policies are performing effectively and meeting the client's goals. There are many factors to consider that may impact the performance and suitability of a life insurance policy. Here are some key reasons to conduct regular life insurance policy reviews:

#### PRODUCT CONSIDERATIONS

Policy funding adequacy	Policies that have been underfunded may require additional premiums, benefit adjustments, or other corrective actions. Overfunded policies may require less premiums.
Loans and withdrawals	Any distributions from permanent cash value life insurance products can affect policy performance. Periodic monitoring and review are essential to help ensure policies are meeting the intended objectives and to help avoid unexpected tax consequences.
Crediting rates and charges	Life insurance policies are illustrated under certain assumptions that can change over time, both positively and negatively. This may impact policy performance and needs to be monitored.
Product enhancements	New product types, features, and riders may provide increased planning opportunities or address concerns your clients have.
Policy maturity	Older life insurance policies may have a maturity date of age 95 or 100. People are living longer, and new policies have options for longer guarantees.
Tax treatment on exchanges	Life insurance is a unique asset that receives special treatment under the Internal Revenue Code. If an opportunity exists to improve on an existing life insurance policy, in most instances, a permanent life insurance policy may be exchanged, allowing the policyowner to obtain a new permanent life policy while continuing to defer taxation on any accumulated gain.

#### PLANNING PARADIGMS

Survivor's income replacement need	Risk tolerance can change over time, and life insurance should be reviewed periodically to make sure the product type and design continue to be appropriate for your client. It is also important to review policy ownership and beneficiary designation to ensure the client's original intent for the policy hasn't changed.
Money factor	State and Federal laws change over time. Regulatory changes can impact the planning objectives of existing insurance.
Present value of future income needs	Like other major financial institutions, life insurance companies are reviewed by rating agencies to analyze strength and stability. Over time, carrier ratings can change, increasing the importance of regular policy reviews.
Present value of future income needs	Advancements in health care may have a positive impact on the mortality assumptions used to price life insurance products. Improvements to underwriting can mean lower costs for insurance.

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