



CROWN FINANCIAL PARTNERS

BUYING LIFE INSURANCE? GUARD AGAINST THESE COMMON MISTAKES

By:

David Beck

Content Creator

Crown Financial Partners

Beverly Hills, CA



The purchase of a life insurance policy is very often not given the full attention it deserves. It can be a complicated, time-consuming process and one fraught with pitfalls unless the purchaser has at least some basic knowledge of what to look for and what to avoid.

Here's a rundown of some common mistakes individuals make in acquiring life insurance policies and what steps to take to avoid buying the wrong policies.



Buying from the wrong agent.

You might want to avoid purchasing a policy from an agent who is either captive or incentivized to work with one company over another. That's because different insurance carriers have different sweet spots for different products. Better to speak with a few agents and try to go with an independent agent. Check with

your financial advisor if you are unsure. An independent agent will have a broad view of the market and access to many different types of policies. Make sure the policy you need is acquired from the most reliable and most competitive carrier.

Failure to identify your precise needs.

It's not enough to know you need life insurance for the security and future of your family. You need to know more. That's because different products have different features that may or may not be appropriate for your circumstances. If you have not clearly identified your needs, you may acquire a great product, but not

one that's best for you. In addition, you don't want to be under-insured and leave your loved ones vulnerable to future financial problems. Nor do you wish to be over-insured and take badly needed funds away from other, potentially lucrative investments.



Acquiring the wrong policy for now and future.

The most common dilemma is should you buy permanent life or term? It's all about what you are trying to accomplish.

There are two basic types of life insurance: term and permanent. Term policies pay out a specific death benefit and remain in place for a set period of time. Term life insurance can typically be purchased for a 5, 10, 15, 20 or 30-year term.

Permanent life insurance remains in effect over the course of your life. Whole life, variable life and universal life are all types of permanent insurance. A whole life insurance policy allows you to

build cash value that you can draw against later on. Universal and variable life policies are tied to different types of investment vehicles.

Term insurance is one of the most commonly bought products. Most people are unaware of how conversion features work. This is extremely important as it allows you the flexibility of maintaining the product many years later, even if you are no longer insurable. When buying term, it is extremely important to know how long you have to convert and to what available products the company offers.

Accepting a low health rating.

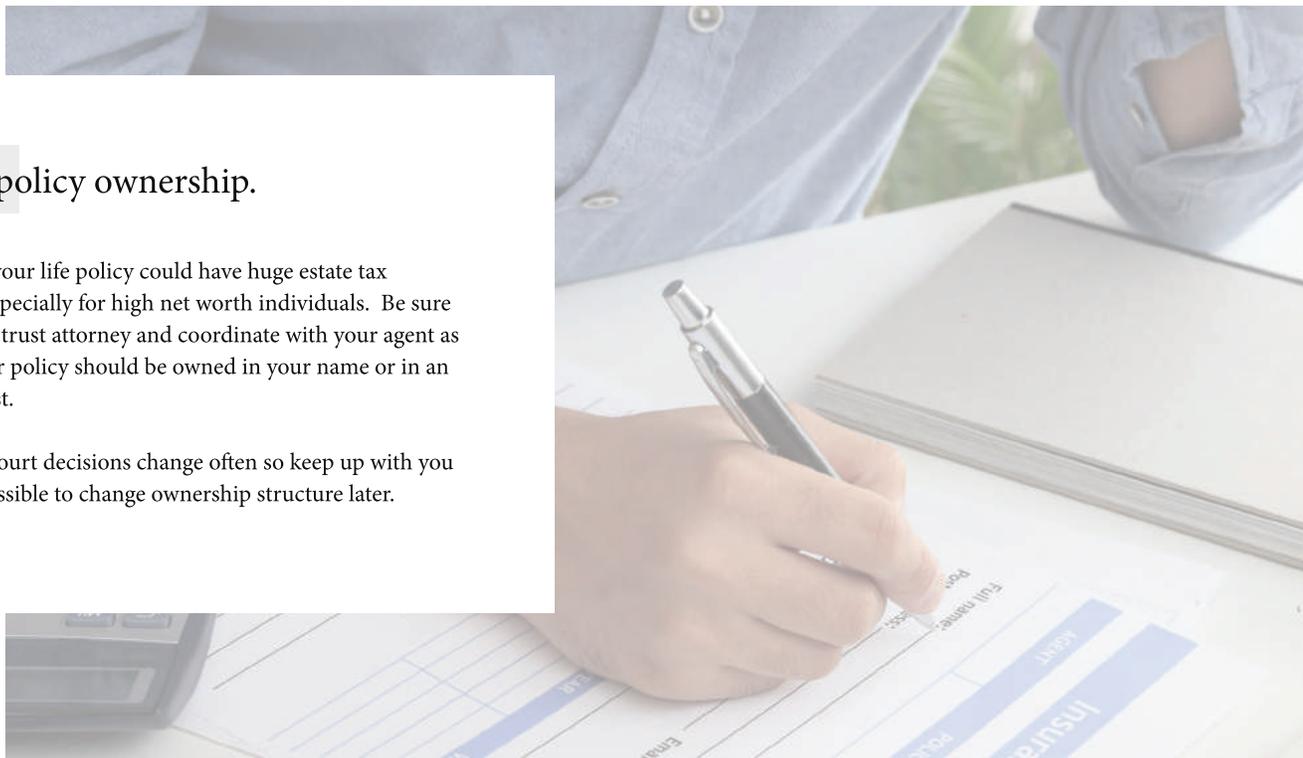
In purchasing new or additional coverage your agent may inform you that you have received a low health rating following a medical exam. Should you then accept or challenge this finding? Very often, with some extra work and due diligence, ratings

could be improved. This could save you a substantial amount of money over the lifetime of the policy. Make sure your agent has the knowledge and expertise to deal with this event.

Incorrect policy ownership.

How you own your life policy could have huge estate tax implications, especially for high net worth individuals. Be sure to consult your trust attorney and coordinate with your agent as to whether your policy should be owned in your name or in an irrevocable trust.

The rules and court decisions change often so keep up with you advisor. It is possible to change ownership structure later.





Failure to carefully review all policy provisions.

Many life insurance products could be quite complicated and provide misleading illustrations. Make sure you understand all risks especially if the products are tied to various indexes or

directly to the stock market. You want to know the death benefit is safe and secure for your loved ones, when they will need it.

Lack of continuous follow up and updating.

Keep in mind what happens immediately after the sale of the policy. The agent receives the bulk of compensation on day one with very little incentive to monitor your policy and your needs on a consistent basis. Variables within a policy could change and those changes could impact the longevity of the policy. You want

to avoid a policy set to lapse when you are elderly. This may have been the result of a change in policy conditions that could have been addressed had the agent been in touch with you and concerned about updating you with proposed policy changes that might have been needed.

Crown Financial Partners
8665 Wilshire Blvd., Suite 200
Beverly Hills, CA 90211
(310) 734-5660