SONS OF NORWAY

ADVISOR

HELPING YOU FIND THE PATH TO A SECURE FINANCIAL FUTURE

3RD QUARTER 2010 • Issue #16

WELCOME TO THE LIFE INSURANCE ISSUE

It's summer time and I hope you are enjoying a beautiful July day as you read this quarter's edition of the Sons of Norway Advisor. This time around I am dedicating the entire issue to the topic of life insurance. Not only is this one of the most important topics to think about when planning for a secure financial future, but it is also a timely topic as Life Insurance Month is just around the corner, beginning September 1st.

Now I'm willing to bet that some of you probably feel that you either have enough life insurance, or are at a stage in life where life insurance isn't appropriate. I can tell you right off that nothing could be further from the truth. This edition of Advisor will address those very misperceptions and so much more!

Whether you are a member of a young, working family, a mature, retired household, a parent, grandparent, or adult child, the information on the following pages is going to be very valuable to you. More often than I care to think of, families forego life insurance because they don't think it's necessary, or because they are uninformed about its versatility. After reading the following pages I guarantee you won't be one of them.

As I said before, life insurance is a very important topic and is one that deserves both consideration and discussion. Quite often it is the best way to ensure that your family will have a secure financial future, even in the wake of tragedy. But in order to protect your family, you need to take the first step and contact me about a complimentary Sons of Norway financial review. It's easy, it's informative and most of all it will give you some insight into the best ways to protect your family.

If you'd like to learn more about what's involved, or want to set up an appointment to go over your current situation and future plans, don't hesitate to call me. All my contact information is just underneath my photo on the left hand side of the page and I'd be happy to help you in any way I can. Until then, have a great summer!

Tragedy in a Young Family

by Ken Thul, CLU, ChFC, FICF

This quarter I want to share a story that I have kept with me for my entire career; one that solidified my belief that life insurance can mean the difference between ensuring the future for your family and total devastation.

It was a hot June day in the Midwest and a summer storm was brewing. What began as a typical thunderstorm became a severe weather event, spawning numerous tornados. By the end of the day power lines were down and the local utility company was dispatching repair crews to assist in affected areas. Among those linemen was a 27 year old client, named Bryan. A loving husband, doting father of two beautiful daughters and first-time home owner, Bryan was one of the first called to repair downed power lines near a steel bridge. Unbeknownst to him the bridge was electrified by a hidden, downed power line and when Bryan touched the bridge he was instantly electrocuted and killed.

Bryan's wife, Jennifer, and their children were devastated. A young husband and father can never be replaced, and the sense of loss is one that will last forever. But it could have been worse.

Three weeks before the tragedy, I visited with Bryan and Jennifer about purchasing life insurance. We completed a complimentary financial review and discovered that with their new home and a growing family, they needed more life insurance. A lot more. This was not good news to them as their budget was stretched already and making the premium each month would mean making certain sacrifices.

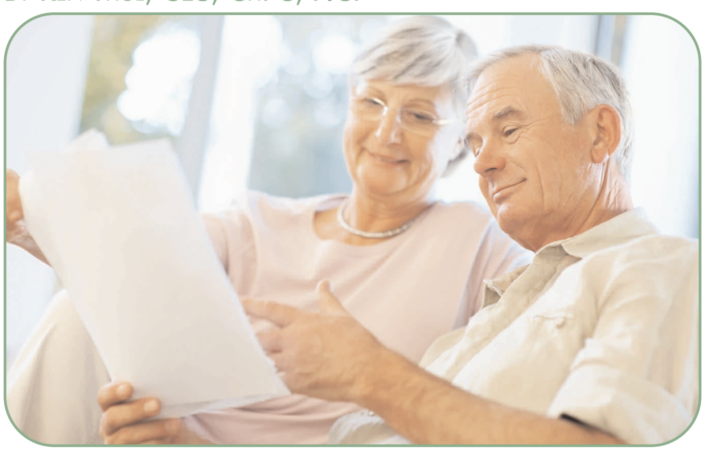
Initially they wanted to delay the purchase of life insurance and think about it, so I suggested they consider an inexpensive term life insurance policy now and purchase a permanent life insurance later when it fit their budget. After reconsideration, they decided to do just that. We completed the application and they paid the first month's premium.

I'll never forget the stressful anticipation of delivering the death benefit check to Jennifer. Although grief stricken, she was calm and told me they would mourn the loss of Bryan forever, but the life insurance proceeds meant financial security for her and the girls. The money would pay off the mortgage, replace part of Bryan's lost income, and set up a college fund for the girls. Jennifer sincerely thanked me for insisting they start the plan that day.

The moral here is that you never know what tomorrow will bring. By putting off such a critical decision you could be putting your family's wellbeing in dire jeopardy. Take the first step and contact your Financial Benefits Counselor to learn how you can best protect your family from an uncertain future.

A Great Financial Planning Tool for Senior Citizens

By Ken Thul, CLU, ChFC, FICF



Life insurance has always enjoyed a number of favorable tax considerations by the IRS. The most significant being the tax deferred growth of the cash value while the insured is alive and the income tax free payment of the death benefit to the beneficiary upon the death of the insured.

With the advent of the flexible premium universal life insurance policies (UL) in the early 1980s, some creative planners advised their clients to grossly over fund these policies. This created a financial product that looked a lot more like a tax-dodge than a life insurance policy and Congress responded by enacting the Technical Corrections Act of 1988. This, in turn, created the Modified Endowment Contract (MEC), which is a life insurance policy that looks and acts like an annuity while you are alive and like a life insurance policy when you die. During your life the life insurance policy is intentionally over-funded (but within the IRA limits) so that it can provide certain additional benefits.

Some of these benefits include:

- Probate avoidance. Just like all life insurance and annuity certificates, the proceeds avoid probate if passed to a named beneficiary.
- Tax deferred accumulation during the lifetime of the insured. Just like an annuity, withdrawals while the insured is alive are treated on a last-in/first-out (LIFO) basis, thus income taxable.
- Transformation back into life insurance policies upon the death of the insured. The death benefit, including all gains, pass to the beneficiary income tax free.
- Creditor protection in most states. Wills are public and creditors can make claims against the estate and thus possibly reduce the net distribution to the beneficiary.
- Protection from predators. MECs are private and in our litigious society, when a predator smells money, they sue for it. Public 'will only' distributions may invite illegitimate suits which eat up estate proceeds in legal and attorney fees.
- Regains against market losses. Many people who experienced market losses wanted to leave a legacy to their heirs, their favorite charities, or other causes. The money lost in the market was supposed to fulfill these wishes.
- Replacement of assets lost to estate and capital gains taxes. While current capital gains and estate tax rates are low now, current estate tax laws are due to sunset at the end of 2010 and Congress is considering increasing the capital gains tax rates to ordinary income rates.

To see if a Modified Endowment Contract fits your financial plan, please contact your Financial Benefits Counselor or call (800) 945-8851 and ask to discuss our Sons of Norway Nordic Elite II or our new Sons of Norway Nordic Single Premium

Life Insurance – Now More Important Than Ever

By Len Carlson, CLU, ChFC

Recessions, layoffs, falling stocks and food prices seem to be knocking over the pillar of our financial security. Many of us have either lost a job or know someone who has. In these unstable times we've all been hit with painful losses, whether in the value of our homes or in our savings and investment accounts. However, one source of financial security still stands strong: life insurance.

Let's examine some examples where life insurance can provide the financial resources that are the foundation for your family's security.

Final Expenses

Depending on your wishes, funeral expenses can be high. There may also be unpaid medical expenses, estate taxes and probate costs. At a minimum you should plan for $10,000 to $15,000 in life insurance.

Unexpected Bills or Emergencies

While we are alive and receiving an income we have the financial resources to cover emergencies or unexpected bills. However, if a spouse dies prematurely their income is gone and it's then harder for the surviving spouse and family to come up with the money needed for these emergencies. It's often best to have at least one-half of your annual income in life insurance to cover these items.

Non-Mortgage Debt

Most Americans carry credit card balances on the average of $15,000. These debts still need to be paid after we die, so it is important to provide this money to the surviving spouse so that person can pay off the debt.

Home Mortgage

Your home is usually your biggest investment and the most fundamental part of family life. Therefore, in a time of tragedy, when death occurs, it is important to make sure you have enough life insurance to cover your mortgage. Those you leave behind will then find some solace in knowing that the family home is secure.

Child Care

For working families with younger children this is critical to plan for. The cost of day care can be significant, so just imagine if one of the breadwinners died prematurely. The loss of income could be devastating, but life insurance is an easy solution.

Educational Costs

Whether you are a parent or grandparent, chances are you are saving money to help out with education costs (which are steadily climbing). Keep in mind that while you are working you can put money aside for this future expense. But what if one of the parents is gone? Where will the money come from then? The simple answer is life insurance. Owning enough life insurance guarantees that the money that you want to provide will be there when it's time.

Income Replacement

Whether you're part of a single or dual income family, a premature death is emotionally, physically, and financially devastating. For most it will take time to recover emotionally and physically, but recovering financially can happen right away if you own enough life insurance. Typically it's best to own an amount that is equal to 5-10 times your income.

The bottom line is that your income provides for all of your wants and needs. However, when unfortunate circumstances happen you need money to provide security and peace of mind for your family so that they can maintain the quality of life they are used to. Life insurance provides that peace of mind.

Please contact your Financial Benefits Counselor listed on the front-page of the "Advisor" to help you plan for a solid financial future.

Advisor Answers –

Dear Advisor,
I have always wanted to know how much life insurance should a person own? I would like to know what the process is to figure that out.
Brian G. Deer Island, ME

That's a great question. The quickest answer is "it depends on your needs." I know that doesn't answer your question immediately, but it can quickly be determined with a complimentary financial review by your Financial Benefits Counselor.

The review takes a look at your overall financial picture to help make sure your protection needs are being met and that you are on-track to achieve your goals. During the review process you will go over two main components: assessing your risks and planning your legacy.

First, let's take a look at your risks. Over time your family changes as do your risks. If you are not adequately protected any plans you have for the future may be derailed.

For example, young adults with small children need to think about things like, replacing incomes, paying mortgages, covering daycare costs, funding education and paying off outstanding debt.

For people in their 40's and 50's many of the needs addressed above still exist. However, at this stage of life, you may be enjoying more discretionary income. This means that an untimely death leads to higher life insurance needs so your spouse can enjoy the same standard of living you currently have.

When you are 60 and older, you may think the need for life insurance goes away. Nothing could be further from the truth. Just because the kids are grown and on their own and your house is paid for doesn't equate to no need for life insurance. Rather, now is the time to think of the best way to leave money in the form of a "legacy" to your loved ones.

There are many seniors in this situation who are passing bank CDs on to their adult children. But why have this taxable event for your kids when you could increase the amount you will leave them by transferring the money into a life insurance certificate? Upon your death, it will pass on to your heirs, income and probate tax free.

In summary, I know I haven't answered your question in finite terms. Each person's situation is different so the best I can do is provide insight on the different ideas that should be explored to determine an amount of life insurance that's tailored to you.

To learn more, I recommend contacting your Financial Benefits Counselor. They can provide you with a complimentary financial review and help you find the best answer to your question.

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ADVISOR is provided by your Sons of Norway Financial Benefits Counselor as an additional service to you.

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