



Brought to you by Todd Minard, PGK, FICF

KNIGHTS OF COLUMBUS

Financial Beacon

Summer 2016

**Whole Life and
Planned Giving**

**ILLNESS more
common than
INJURY**

**WHOLE LIFE
for your
"WHOLE LIFE"**

Keeping **FAMILY**
in the
**FAMILY-OWNED
BUSINESS**
part two





A MESSAGE from your agent

Dear Brother Knight:

We all understand that the primary purpose of life insurance is to provide for your family when you're no longer there to do so. But, did you know your life insurance policy could be structured to make a donation to a favorite charity, your parish, or other mission to which you're committed?

In this issue, we look at "designing" a whole life policy, and charitable giving may be part of your design. Using life insurance to make a donation can work along with your plans for other beneficiaries. It can be a way to leave a legacy of lasting importance, beyond what you may have been able to do in life.

A donation of life insurance can be set up several ways, depending on your means and goals. Whether it's an irrevocable gift of a paid-up policy, or a contingent benefit with annual premiums paid by you or the charity, it's important for you to know your options and the tax implications, among other details. Some charities are well versed in planned giving strategies, while others are not.

As your agent, and fellow Knight, I can help you structure a whole life policy to meet your goals for planned giving. If we haven't, let's sit down soon to discuss and update your plans.

Fraternally yours,

Todd Minard

Designing a Whole Life policy, for your "whole life"

Whole life insurance offers financial security for your loved ones and builds cash value along the way; and it has tax advantages not available anywhere else. Your policy can be designed to serve your specific needs and goals, and change as your life changes.

Young and on a budget

When you're young, the need for coverage is of primary importance. But, it's also the time you may be least able to afford a premium. Many opt for a term life policy. But when the term ends there's neither cash value nor death benefit.

You don't have to sacrifice the permanent financial security for the sake of the premium. Consider an entry-level permanent plan, such as Graded Premium Whole Life. This plan was designed with you in mind: a lower initial premium, and then gradual increases in years 6, 11, 16, and 21 (or until age 76); all the while, your death benefit remains level, your coverage remains permanent, and your policy builds its cash value.

Alternatively, you could choose a standard whole life policy with one of many payment modes. Select a 10- or 20-Pay Whole Life, and pay premiums for only 10 or 20 years with a level, guaranteed premium. The Paid-Up at 65 or 100 options have a guaranteed premium as well, paid-up on your 65th or 100th birthday. In all cases, your benefit is guaranteed, and once paid-up remains guaranteed for life.

Another way to get started without having to go "all-in" is to add the Guaranteed Purchase Option rider, which allows you to purchase additional insurance at specific points without having to re-qualify medically.

Life in transition: your middle years

Helping with children's college tuition or assisting aging parents can be significant short-term expenses. There again whole life insurance can help. You can take a loan from your whole life policy or use its cash value as collateral on a conventional loan.



On the other hand, if you find yourself with excess funds perhaps because of an inheritance or a bonus, put your money to work in a Single-Premium Whole Life (SPWL) policy. One payment can fund a permanent life insurance policy and begin to grow additional cash value on a tax-favored basis.

Looking toward retirement

With the children grown and the mortgage paid, a whole life policy is one place to put freed-up cash. It's safe, secure, and tax advantaged. Dividends (though not guaranteed) can increase cash value; these gains are tax-free because they're considered a return of premiums.

By retirement, a whole life policy you've kept in force may have grown to be a significant asset. When determining your need for retirement income, your policy can be counted on to handle unexpected expenses, or, with careful planning, be a secure part of your retirement income stream.

Estate planning

Depending on the size of your estate, there may or may not be significant taxes to be paid, but there will almost certainly be expenses. Upon your death, the benefit from your whole life policy is tax-free, liquid, and paid almost immediately to beneficiaries. This can provide your loved ones with the means to comfortably sort out the remainder of your estate.

Right at any age

It's rarely too soon or too late to add whole life insurance to your portfolio. Please contact me to discuss a policy design that's right for you—for your whole life. ♦

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on, for tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

Keeping “family” in the family-owned business (part 2 of a 2-part series)

If you’ve spent a lifetime building a business, or you’ve carried on a business left to you, it may be your goal to keep it in the family. No matter what, involve your family in your plans. They can help you, and will benefit from knowing what you have in mind.

In part one of this series we looked at selling a business to family, and this time we look at giving/gifting your business.

THE TRANSFER

There are many ways of transferring ownership of a family business. The transfer can:

- involve a combination of gifting and selling
- be implemented all at once or over time
- take effect now, at a designated date in the future, or in conjunction with a future trigger event.

THE VALUATION

In many cases, the value of your gifts may be eligible for valuation discounts based on factors such as lack of marketability and lack of control, and thus could be worth less than their apparent value for gift tax purposes. Your accountant or estate planner can evaluate these specifics based on your circumstances.

If you’re ready, you can make a direct gift to your children of all or part of the business now. The biggest advantage to acting sooner rather than later is that any future appreciation in the value of the business will not be part of your estate when you die.

Be aware that your children’s tax basis in the business will be the same as yours, not a stepped-up basis, but with proper planning you can provide for the tax liability.

USE OF TRUSTS

Instead of making a direct gift, many owners give the business to a trust, which has some advantages. For one thing, a trust protects the children’s interests from creditors.

With a living trust, you are able to transfer ownership of your business without transferring management control until you decide the time is right. Since the trust owns your share of the business, the assets will not be subject to normal probate proceedings after your death.

A Grantor Retained Annuity Trust (GRAT) or a Grantor Retained Unitrust (GRUT), two irrevocable trusts, allow you to continue to receive an income stream for a set period of time. In either case, the trust terminates and the assets in the trust pass to your children at the end of the payment period (or

upon your death if that occurs first, but some of the benefits are lost if this happens).

If you also fund an Irrevocable Life Insurance Trust (ILIT) for the benefit of your children, they can use the life insurance proceeds to pay any estate taxes that are due.

THE BENEFICIARIES

Most parents want to treat all of their children equally (this is known as estate equalization). This might not mean “identically” because in many families not all of the children have the same interest in, or aptitude for owning or participating in the family business.

For example, if two of three children want to take over the business, you might purchase a life insurance policy that names the third child as the beneficiary so that you are gifting equal amounts to all three children and avoiding the need for the two active children to purchase the interest of the third child.

Please call if you’d like to discuss the best strategy for your unique family situation, and whether life insurance may be a helpful component in your estate and business succession plans. ♦

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YOUR AGENT



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Family benefits & services

Knights of Columbus consistently ranks at the top of the industry in financial stability and ethics. Please call to discuss these services:

- Financial needs analysis
- Life insurance
- Tax deferred fixed-rate annuities
- Long-term care insurance
- Retirement account rollovers
- Estate preservation
- Scholarships
- Family fraternal benefits
- Disability Insurance

Contact me today for information on long-term care insurance



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Financial Beacon

Knights of Columbus Supreme Office

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The document your family will be glad you left behind

In one place, you can assemble all the information your family would need to take care of basic financial matters in your absence. Your complimentary Knights of

Columbus Personal Planning Workbook helps you compile details about key contacts (attorneys, insurance agents, etc.), financial accounts, bills, passwords, the location of important documents, and more.



Contact me today for your complimentary Workbook.

Contact me today for information on long-term care insurance

The misconception shared by most office workers

Most people who work at an office/desk job are under the impression that disability insurance is only necessary for those with physically demanding jobs with a higher chance of on-the-job accident or injury. However, claims analysis reveals nothing could be farther from the truth.

Why this disconnect? Disability due to an accident is the exception, not the rule. In fact, about 90 percent of new disability claims in 2012 resulted from an illness such as cancer, diabetes, cardiovascular disorders, mental health issues, or chronic pain (of the neck, back, hand, etc.), while only about 10% of claims are attributed to injury or accident.¹

A recent study showed that 64% of wage earners believe they have a 2% or less chance of being disabled for three months or more during their working career². The actual odds of a worker being out of work for 90 days or more by



age 65 are about 25% for those entering the workforce today³ and 43% for people age 40⁴. The bottom line is that working Americans seriously underestimate their own risk of disability, which often leaves them financially vulnerable.

For most wage earners, the ability to earn a paycheck is more valuable than their retirement savings, their medical insurance, or the equity in their home. In fact, 71% of Americans live paycheck-to-paycheck⁵, and thus don't have the resources for financial survival without an income. Now that you know the real

odds of losing the ability to work due to disability, what can you do about it?

The Income Armor individual disability plan from the Knights of Columbus provides financial security by replacing lost income if you are unable to work. Our Income Armor is offered to members and their wives age 18-61 (subject to underwriting requirements), and coverage cannot be cancelled as long as you pay your premiums on time. You can choose the waiting period before your benefits begin, and also the maximum benefit period, which gives you more control over your premium. Benefits are available for both total and partial disability, plus there are other optional riders available.

Please call me for more details so I can help you put this safety net in place. ♦

¹ RBC Insurance Survey: Disability defined - not what you think, 2012

² 2010 Study by the Council on Disability Awareness

³ U.S. Social Security Administration Fact Sheet, February 7, 2013

⁴ Insurance Information Institute, "How Can I Insure Against Loss of Income?"

⁵ American Payroll Association, "Getting Paid in America" Survey, 2008