



## YOUR WEALTH JOURNEY — NAVIGATING LIFE'S FINANCIAL MILESTONES

# Managing Risk Through Life's Milestones

## Five steps to ensuring your life insurance continues to serve your needs

Maintaining financial well-being and security throughout your lifetime isn't just about growing your assets; it's also about managing various financial risks.

Life insurance can be a valuable piece of your wealth management plan. Not only can life insurance help you minimize risks, but there are also ways to use policies to help you more efficiently and effectively attain certain financial goals, such as passing wealth to future generations, funding a succession plan for your business, or giving to charity.

But like all aspects of your financial plan, life insurance isn't a set-it-and-forget-it proposition. As market conditions and your personal situation change, you should periodically work with your wealth advisory team and insurance specialists to review your policies to ensure that they continue to serve your intended goals and needs.

Here are five key steps to reviewing your insurance coverage.

**Know What You Have**

**Ensure That Your Policies  
Align With Your Estate  
Planning Goals**

**Evaluate Policy  
Performance**

**Consider Alternatives**

**Reassess Your Goals  
and Needs**



### Know What You Have

Before assessing whether your current insurance is meeting your and your family's needs, take inventory of your current policies. For some people, this may be a simple exercise. For others, this may require evaluating multiple policies with several different insurance companies.

Once you've organized the documents, here are some important questions:

- What type of policies do you have—and for what reason or purpose? There are different types of life insurance—from term to permanent life insurance—each with its own structure and rules.
- Do you fully understand how your policies are structured? You should have at least a basic understanding of the policy's terms and provisions so you can determine whether each one continues to suit your needs and goals.
- What's the status of each policy? For example, are there current contractual options that are expiring soon?

### Common Reasons to Review Your Life Insurance

#### Changes in Market Conditions

Interest rates  
Valuations of underlying investments  
Insurance product offerings  
Ownership, rating, or financial stability of insurance company  
Estate tax laws

#### Changes in Your Personal Situation and Goals

Marriage or divorce  
Birth of children, grandchildren, or other heirs  
Retirement  
Business ownership  
Health status  
Risk tolerance  
Net worth  
Cash flow needs  
Charitable priorities



### Ensure That Your Policies Align With Your Estate Planning Goals

Check the beneficiary designations on every policy since those determine who will receive the proceeds once the policyholder dies. You'll want to make sure the beneficiaries reflect your current wishes and that their information is up to date.

You'll also want to review the owner of each policy, such as whether it is held individually or in trust. The policy owner may surrender the policy, make certain changes, or gift the policy if desired. You'll also want to confirm whose life is insured by the policy.

Reviewing the owner, insured, and beneficiary of the policies will help assess and ensure that the policies continue to align with your overall estate plans.



### Evaluate Policy Performance

You should look at your variable life insurance policies like other investments in your portfolio. They have an investment component with underlying market risk and return.

- Structural considerations include: Can the performance of your current policies be improved upon?
- Can policy funding be deferred or suspended into the future?
- Are dividends providing the same or better return than the base policy?

You'll also want to consider the current market conditions and whether those conditions have impacted your policies. This includes:

- Has the interest-rate environment changed, such as significant rate increases that may be affecting performance?
- Have general tax laws or other government regulations changed?



### Consider Alternatives

You'll want to make sure you have the right policies for your needs. Occasionally comparing your options and determining whether it makes sense to switch policies or insurers is a good idea.

This includes considering:

- Whether the insurance companies you're working with have changed ownership and remain stable with strong financial ratings.
- Whether new products have been introduced with lower pricing or features that may better serve you.





### Reassess Your Goals and Needs

Life insurance may benefit your financial planning in various ways over your lifetime, from helping protect you and your loved ones' income in case of an untimely death to reducing the impact of estate taxes for your beneficiaries.

In addition to protecting your family from an adverse financial situation in the event of death, other common reasons to have life insurance include:

- Transferring wealth to the next generation in a tax-efficient manner
- Satisfying charitable giving goals either during your lifetime or upon death in a tax-efficient way
- Reducing the taxable value of your estate
- Generating liquidity to pay for potential estate taxes due on illiquid assets
- Protecting assets from potential future creditors

If you own a business, life insurance can fill other valuable roles. These include providing a nonqualified benefit that can help you attract, retain, and motivate employees and generating liquidity to support succession planning in the event of the death of a partner.

Because the economy, the markets, and your life are always changing, it's important to review your life insurance at least every few years. Your William Blair wealth advisor can guide you through the review process by considering your current policies as part of your overall financial situation, asking the right questions, and helping you assess your long-term goals and needs.

### Where It Can Make a Difference

<b>Business Value</b>	Policy to attract, retain, and motivate key employees
<b>Gifting</b>	Vehicle to transfer wealth and avoid gift transfer tax
<b>Income Tax Mitigation</b>	Asset that receives a step-up at death
<b>Estate Tax Mitigation</b>	A hedge against estate taxes
<b>Risk Mitigation</b>	A hedge against unexpected death
<b>Asset Class</b>	A complement to existing asset allocation

### Contact Us:

Please reach out to your William Blair wealth advisor or contact us at [pwm@williamblair.com](mailto:pwm@williamblair.com).

February 2023

Life insurance policies are offered by third party providers.

This information has been prepared solely for informational purposes and is not intended to provide or should not be relied upon for accounting, legal, tax, or investment advice. We recommend consulting your attorney, tax advisor, investment advisor, or other professional advisor about your particular situation.