

PREPARING NOW FOR 2019

INSURANCE PLANNING QUESTIONS TO CONSIDER

When it comes to insurance planning and taxes, getting the lay of the land can feel impossible. Tax time can be so overwhelming that it's not always clear which questions you should ask, or where to start planning. This guide lays out fundamental questions for tax planning with respect to insurance.

PERMANENT LIFE INSURANCE

Now may be the time to increase your permanent life insurance if you've maxed out your retirement distribution or are sitting on a lump sum of cash.

Because of favorable tax laws applicable to life insurance, the policy cash value (money available to you while you're alive) and the policy death benefit (money to your beneficiaries upon your passing) grow tax deferred and are distributed tax free.

- Should you be building cash value for tax-free retirement income, college tuition costs, future health care costs or future long-term care needs?
- Should you consider gifting your policy into a trust for estate planning or making a charity the beneficiary of your policy for an income tax deduction?

DISABILITY INCOME INSURANCE

- Disability benefits are taxable if an employer pays for the insurance premiums on your behalf. Do you know if your benefit is taxable?
- Does your disability benefit equal your monthly spending, college savings and retirement contributions?

LONG-TERM CARE INSURANCE

Recognizing that the government can't pay the bill for long-term care, federal tax codes and a growing number of state tax codes now offer tax incentives to encourage you to take personal responsibility for your future long-term care needs.

- What coverage can you secure now to address future long-term care needs?
- Are you going to care for parents or in-laws as they age?
- Is a hybrid life insurance and long-term care policy a good fit for you?

IT'S NOT A MATTER OF IF YOU SHOULD PLAN FOR THE FUTURE; IT'S WHEN.

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PROPERTY & CASUALTY INSURANCE

Equally important to building assets is having a plan to protect them. Review your property & casualty policies annually to ensure that your plan still fits your needs.

Homeowners Insurance

- Are your dwelling and personal property covered on an all-risk basis (with all potential causes of loss covered unless specifically excluded)?
- Do you have full replacement coverage?
- Are your multiple or international properties coordinated?

Auto Insurance

- Did you add or remove vehicles or drivers properly?
- Do you have enough liability coverage?
- Have you reviewed your medical coverage recently? Medical insurance can affect your auto coverage.

Umbrella Insurance

- Is your umbrella coverage equal to your net worth? What if someone sues you for "everything you're worth"?
- Do any liability gaps exist between your homeowners, auto and umbrella policies?
- Have you named your living trust and any LLCs as an "additional insured"? This will cover assets titled to your trust or LLC.
- For your domestic employees, did you consider the workers' compensation law? Is there a need for "employment practice liability" coverage?
- Are memberships on profit and not-for-profit boards reviewed for personal liability risks?

Health Insurance

Your health insurance coverage probably came in handy several times over the past year. It all seemed so simple at the time — you paid a deductible, and your insurance covered the rest. But what do you do at tax time?

- What are you taxed on, and what can you deduct on your federal income tax return?
- Are you taking advantage of the contributions towards your health savings account (HSA)?
- Have you considered a limited purpose, flexible spending account in addition to your HSA?

By thinking through these questions and answering them based on your unique situation, tax season will be that much more clear-cut — but remember, you don't have to go it alone. Your advisor can help you determine if you're taking advantage of any tax strategies that may be associated with your insurance coverage, as well as review your coverage.

