

---

# Considerations in the Purchase of Life Insurance

---

## Who Will Be the Owner of the Policy?

Life insurance proceeds are included in the estate of a deceased if he or she has any incidents of ownership in the policy. Ownership by adult children or an irrevocable life insurance trust should be considered if there is an estate tax problem.<sup>1</sup>



## How Much Life Insurance?

This will depend on the need it is fulfilling. Amounts needed to fund a business transfer or to pay death taxes may be readily determined.

Calculating the value of a human life to a family is more difficult. Consider these projected total earnings up to age 65 assuming a 5% annual increase including inflation.

### Projected Total Earnings to Age 65

Current Age	Current Monthly Income		
	\$4,000	\$6,000	\$8,000
25	\$6,088,309	\$9,132,463	\$12,176,617
35	\$3,348,518	\$5,022,777	\$6,697,036
45	\$1,666,524	\$2,499,786	\$3,333,048
55	\$633,926	\$950,889	\$1,267,852

## What Type of Policy Should Be Purchased?

A person trained in life insurance can explain the many different policies available and assist in selecting the one which best fits your needs.

---

<sup>1</sup> Each individual has a certain dollar amount of assets that are protected from federal estate tax. For 2025, this amount – called the applicable exclusion amount – is \$13,990,000 (it was \$13,610,000 in 2024). State and local transfer taxes, however, will vary, and estate and or inheritance taxes may apply at much lower dollar amounts.

---

## Considerations in the Purchase of Life Insurance

---

### How Should the Premium Be Paid?

Sometimes the amount of the premium can be paid from current income, while other times it may be prudent to reposition other assets so as to be able to acquire sufficient insurance protection.

If the insured is a business owner or executive, a corporation may assist in paying premiums. Other times it may be better to have the corporation own the policy and use the proceeds to purchase part or all of the owner's interest at death.

Insurance can also be purchased in certain qualified retirement plans.

---

# Disclosure Notice

---

The information that follows is intended to serve as a basis for further discussion with your financial, legal, tax and/or accounting advisors. It is not a substitute for competent advice from these advisors. The actual application of some of these concepts may be the practice of law and is the proper responsibility of your attorney. The application of other concepts may require the guidance of a tax or accounting advisor. The company or companies listed below are not authorized to practice law or to provide legal, tax, or accounting advice.

Although great effort has been taken to provide accurate data and explanations, and while the sources are deemed reliable, the information that follows should not be relied upon for preparing tax returns or making investment decisions. This information has neither been audited by nor verified by the company, or companies, listed below and is therefore not guaranteed by them as to its accuracy.

**If a numerical analysis is shown, the results are neither guarantees nor projections, and actual results may differ significantly. Any assumptions as to interest rates, rates of return, inflation, or other values are hypothetical and for illustrative purposes only. Rates of return shown are not indicative of any particular investment, and will vary over time. Any reference to past performance is not indicative of future results and should not be taken as a guaranteed projection of actual returns from any recommended investment.**