

LIFE INSURANCE MISTAKES TO AVOID

You have, or want to obtain, life insurance. It's a measure of protection you want for your family in the event of your death. But not all life insurance contracts or companies are the same.



To help you avoid some of the pitfalls inherent in the complexity of today's life insurance, the following checklist, taken from "The Ten Most Common Life Insurance Mistakes and How to Avoid Them," written by Stephan R. Leimberg, JD, CLU, is provided as guidance.

Checklist for Avoiding Life Insurance Mistakes

1. Don't name your estate as the beneficiary of your insurance.
2. Name at least two backup beneficiaries.
3. At least every three years, request a written confirmation of the status of your policies and beneficiaries.
4. Match the product to your problem. Be sure you've got the right policy for your needs.
5. Above all, be sure you've got enough life insurance to provide food, clothing, shelter and pay off your debt so that those you love can continue in their present lifestyle.
6. Don't name minors as outright beneficiaries. Consider a trust or settlement option.
7. Consider a transfer of life insurance to others to save federal estate taxes.
8. Check to see if your business or professional practice can provide your family with insurance on a more cost-effective basis.
9. Remember that term insurance by definition runs out

and contractually becomes more expensive as you grow older.

10. Don't buy life insurance as though it were a commodity. The knowledge of the agent with whom you deal and the integrity of the insurer and its commitment to service can make a major difference as to how cost-effective your insurance will be.

A periodic review (or "audit") of your life insurance policy(ies) with life insurance advisor David Ianni, CLU, ChFC (585-340-5201) can help spot any of these mistakes, discuss the consequences of each, and identify appropriate solutions. Feel free to contact David with your questions. He'd be delighted to help you.

NEW TAX-ADVANTAGED ACCOUNTS FOR THE DISABLED

The Tax Increase Prevention Act of 2014 introduced a new type of tax-advantaged savings account for individuals with disabilities for tax years beginning after December 31, 2014. The Achieving a Better Life Experience (ABLE) Act authorizes states to create an ABLE Program* (similar to Code Sec. 529 college savings programs). The ABLE Act is designed to help meet the financial needs of disabled individuals without impacting their eligibility for certain governmental benefits.



The ABLE Account

Like contributions to Section 529 plans, contributions to ABLE accounts may be made by any person (the account beneficiary, family and friends) and may or may not be tax deductible depending on the specifics of each state's ABLE

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280 Kenneth Drive, Suite 110
Rochester, NY 14623
585-340-5200
www.beltz-ianni.com

law.* Investment earnings are tax deferred and withdrawals are tax free when used to pay qualified disability expenses.

Some Details

A designated beneficiary may have only one ABLE account, and the aggregate amount donors may contribute in any year is generally equal to the federal gift tax annual exclusion for that year (\$14,000 for 2016).

Qualified disability expenses (i.e., expenses that benefit the ABLE account beneficiary) include medical, housing, education and employment training, transportation, and personal support services, to name just a few. Note that for Supplemental Security Income (SSI) purposes, ABLE account distributions for housing expenses are considered income and amounts in the account in excess of \$100,000 are considered a resource of the designated beneficiary.

Potential Drawbacks

To be eligible for an ABLE account, individuals must become disabled prior to age 26. When a beneficiary dies, the state administering the account can claim an amount equal to the Medicaid benefits the beneficiary received after the account was established. Distributions used for nonqualified expenses would be subject to income tax on the portion of the distributions attributable to earnings from the account, plus a 10 percent penalty.

*Governor Cuomo signed Bill S4472, the New York Achieving a Better Life Experience ("NY ABLE") Savings Account Act into law on December 22, 2015. NY ABLE accounts are not yet available, but it appears that contributions made during the taxable year by an account owner to one or more NY ABLE accounts will be excludable from taxable income. See your tax advisor for further details.