



Life Insurance Review

Life insurance is not a one-time decision. As your life, finances, and goals evolve, so should your coverage. A life insurance coverage review is a structured evaluation of your existing policies to ensure they continue to meet your needs, remain cost-effective, and perform as expected. Regular reviews help prevent coverage gaps, unnecessary expenses, and unpleasant surprises for your loved ones.

What is a Life Insurance Review?

A life insurance coverage review is a periodic reassessment of both the **amount** and **type** of life insurance you own. The primary goals are to: - Confirm that your current coverage is adequate - Identify shortfalls or excess coverage due to life changes - Evaluate the performance of any cash-value policies - Ensure your insurance aligns with your broader financial and estate plan.

Why Reviewing Your Coverage Is Important

Avoid Insufficient Coverage

One of the most common and costly mistakes is having too little life insurance. If coverage is inadequate, your survivors may face difficulty paying: - Final expenses - Outstanding debts - Income replacement needs - Education costs - Estate settlement expenses.

Insurance needs often increase over time due to inflation, growing families, higher incomes, or additional financial responsibilities. Regular reviews help identify and correct shortfalls before they become a problem.

Avoid Excessive Coverage

While less harmful than under-insuring, carrying too much life insurance can still be inefficient—especially if you are paying ongoing premiums. A review may reveal that some coverage is no longer necessary, allowing you to redirect premium dollars toward other financial priorities.

Monitor Policy Performance

If you own **cash-value life insurance** (such as whole life, universal life, or variable life), your policy was likely illustrated using long-term assumptions. Actual performance can differ from projections due to interest rates, investment returns, or policy expenses.

Regular reviews allow you to: - Compare actual policy values to original projections - Identify policies at risk of lapsing - Adjust premiums, death benefits, or investment allocations if needed.



When Should You Review Your Life Insurance?

After Major Life Events

Any significant life change is an ideal time to review your coverage, including: - Marriage, divorce, or widowhood - Birth or adoption of a child or grandchild - Changes in health (yours or your spouse's) - Providing financial or caregiving support for parents - Purchasing or selling a home - Career changes, business ownership, or retirement - Significant increases or decreases in income - Inheritances or major asset changes - Children entering private school or college.

Periodic Reviews (Every 1-3 Years)

Even without major life events, most professionals recommend reviewing life insurance **every one to three years**. Inflation alone can significantly reduce the purchasing power of an existing death benefit over time. What was sufficient coverage several years ago may no longer meet today's needs.

Tip: Annual reviews can be especially useful when life insurance is integrated into a broader financial plan.

How to Conduct a Life Insurance Review

Recalculate Your Insurance Needs

A review typically begins by recalculating your life insurance needs using one or more methods: - **Income replacement analysis** - **Needs-based (capital needs) analysis** - **Estate liquidity planning**.

The updated need is then compared to your existing coverage to identify any shortfall or excess.

Tip: If your advisor does not initiate a review, don't hesitate to request one.

Options for Addressing Issues Identified in a Review

Purchase Additional Insurance

If your review shows a coverage shortfall, purchasing an additional policy may be appropriate. In many cases, it is better to **add coverage** rather than replace an existing policy.

Canceling an old policy to buy a new one can result in: - Surrender charges - Loss of accumulated cash value - Restarting contestability and suicide periods - Higher premiums due to increased age.

Tip: Many modern policies are more cost-efficient than older ones, so adding a supplemental policy can sometimes be an economical solution.

Increase the Death Benefit on an Existing Policy

Some cash-value policies allow the death benefit to be increased, subject to underwriting approval. While this may require a medical exam, it can be a practical way to enhance coverage without starting over.

Reduce Existing Coverage

If you determine that you have more insurance than needed, options may include: - Reducing the death benefit - Converting a policy to paid-up status - Adjusting riders or premium payments

Caution: Reducing coverage may trigger tax consequences, particularly with cash-value policies. Professional guidance is strongly recommended.

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Cancel a Policy

In certain situations, canceling a policy may make sense—especially if multiple policies exist and one is no longer necessary. However, this decision should be made carefully.

Caution: Policy cancellations may result in taxable income and the permanent loss of valuable guarantees.

Key Takeaways

- Life insurance needs change over time—regular reviews are essential.
- Major life events should trigger an immediate coverage review.
- Cash-value policies require ongoing performance monitoring.
- Solutions may include adding coverage, adjusting existing policies, or reducing excess insurance.
- Professional guidance can help avoid costly mistakes and tax consequences.

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