

COMMUNITY // February 5, 2021

Why Young People Are Buying Life Insurance

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By Alexander Maxwell, CEO at Maxwell Digitals



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We spoke to Marc Wachter, who has over 30 years of experience working in life insurance, specifically with high-net-worth clients. As the President of Wealth Planning Center, Wachter is one of the preeminent life insurance advisors across the country, trusted for his expertise and relationships with multiple top-tier insurance companies. Here are some of his insights into this unique opportunity we are facing.

Covid-19 Is Still Here

With Covid-19 peaking across the world with new variants and a slower than expected vaccine rollout, experts warn that we will likely be living with Covid-19 throughout 2021. During this pandemic, having protection in place is paramount. "With deaths from the coronavirus constantly in the news, many younger people who previously put off buying life insurance finally took action," the Wall Street Journal article notes.

The good news is that the lockdowns and restrictions have made applying for life insurance easier than ever. If you're in good health, you may be able to qualify based on doctor's visits and medical records alone without the need for a physical exam.

As far as older people are concerned, some insurance companies have stopped writing policies for people over the age of 70. As the window is closing for older Americans and those with certain medical conditions to purchase life insurance, younger people are seizing this opportunity.

A Tax-Free Investment

"Young and healthy people can benefit greatly from starting a policy early," Wachter continues. "The cost of insurance is very low, allowing much more money to go straight into the cash buildup of the policy. If the primary reason for the insurance policy is to build up as much cash value as possible, they could overfund the policy with as much cash as allowable with the smallest face amount of life insurance. These are long-term investment vehicles and only make sense if someone has a 15-year or longer timeframe in mind, as it takes time for the tax advantages of this vehicle to outweigh a taxable alternative investment. However, those with the insight to think about their financial future now can benefit greatly by starting early."

It is expected that the Biden administration will lower the estate tax exemption by more than half. Therefore, very wealthy people are using life insurance to offset the taxes on an estate when someone passes. Even modest estates may be subject to taxes, so a good life insurance plan can provide tax-free liquidity immediately to cover this. Depending on the state, life insurance may also be asset protected. Even in the event of litigation, it can't be taken.

— *Published on February 5, 2021*