

## At Witt's End

### When Does Fee-Only Insurance Advice Make Sense?

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Starting with the next newsletter, we will be chronicling twelve of the most common mistakes that consumers make with permanent life insurance. But before we launch that series, we wanted to revisit why it is so important to have a fee-only insurance advisor involved in the insurance process.

This list is far from all-inclusive, but here are five situations that scream for independent advice:

**Gaining peace of mind by obtaining a second opinion from someone who doesn't have a stake in the outcome** - independence is the single biggest asset that a fee-only insurance advisor brings to the table. Conflicts abound in the insurance industry, which is why it's so critical to obtain advice from someone whose compensation does not depend on the actions you take. The money spent on a fee-only insurance advisor is in essence a very inexpensive insurance policy against making a bad decision with your much more expensive actual policy.

**Buying a cash value life insurance policy** - immediate savings equal to 80-90% of the first-year premium can often be achieved, and on a present value basis, the total value added from working with a fee-only insurance advisor can be worth as much as five annual premiums.

**Evaluating an existing life insurance policy - keep, replace, or surrender?** - fee-only insurance advisors will put the best foot forward for the existing policy, analyze a broad universe of replacement options, take tax ramifications upon surrender into account, and can evaluate life insurance as a pure investment even if coverage is no longer needed.

**Optimizing the management of existing life insurance policies** - management of inforce policies is often abysmal, due in part to agents not being incentivized to optimally service policies and due in part to the interests of the consumer often being opposed to the interests of the company/agent. A fee-only insurance advisor can help determine how frequently premiums should be paid, how dividends should be utilized, whether or not premiums should be continued, and the true cost of policy loans.

**Buying a new or evaluating an existing deferred annuity** - an alarmingly high percentage of annuity sales are inappropriate, and a fee-only insurance advisor can help a consumer avoid costly mistakes and determine exit strategies from poor annuities if appropriate. A fee-only insurance advisor can also help determine situations where embedded guarantees have made the annuity far more attractive than it was at the time of purchase.

As always, please do not hesitate to contact us if we can assist you in any matter that requires objective advice regarding life insurance or annuities. Witt Actuarial Services is a **fee-only insurance advisory firm** that derives no compensation other than the fees paid directly by its clients.

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