

Diane Kowalski — Life Insurance Policy X-Ray

YOU	Diane Kowalski, age 63
YOUR POLICY	Lincoln National universal life, issued April 2006
YOU PAY	\$3,600/year
CASH VALUE	\$31,400
DEATH BENEFIT	\$500,000
OTHER COVERAGE	\$150,000 group term through employer (ends at retirement)

Questions this X-Ray answers

- ♦ Why is the cash value so low after 19 years of paying?
- ♦ Do you still need \$500,000 of life insurance?
- ♦ What are your options?
- ♦ Which option fits your situation?

The reading

Your policy is slowly draining. After 19 years of paying \$3,600 a year, your cash value is \$31,400 — and the internal monthly charges Lincoln takes to keep \$500,000 of insurance in place are now higher than your premium, and they rise every year from here. That's the core mechanism of a universal life policy, and it's the reason the cash value looks the way it does. If nothing changes, the policy eventually runs out of cash

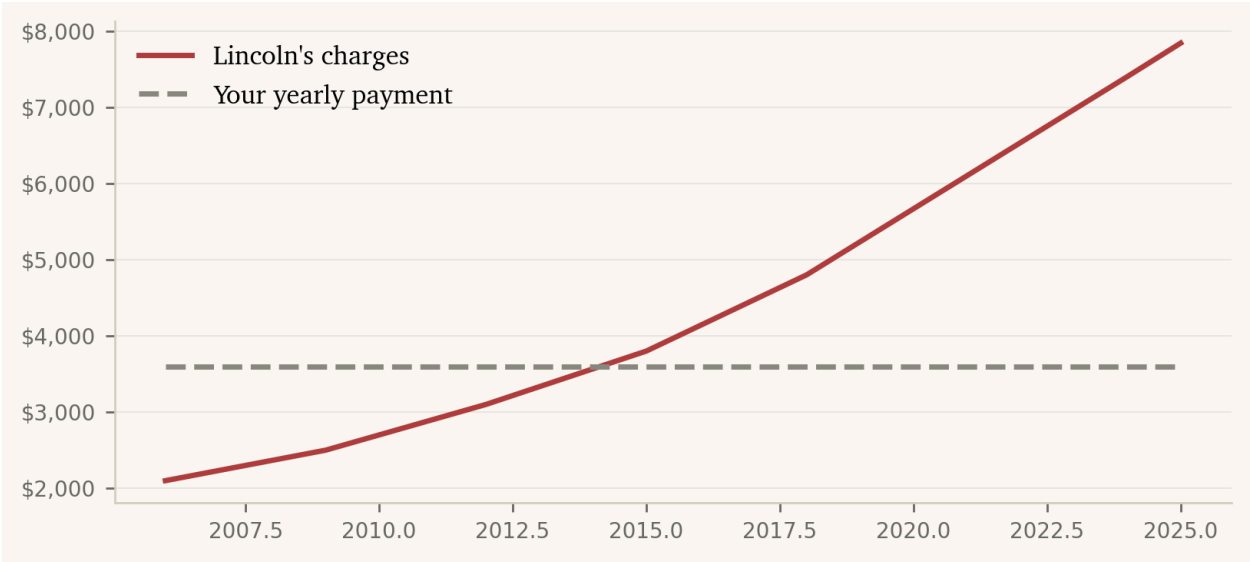
to cover the rising charges and the \$500,000 death benefit goes with it. The options below show what you can do about it.

1 What you have and how it works

You have a universal life policy from Lincoln National. Think of it like a bank account with two flows: money goes in (your \$3,600 yearly payment plus interest Lincoln adds), and money comes out (charges Lincoln takes every month to keep \$500,000 of insurance in place).

Those monthly charges are based on your age. The older you get, the more Lincoln takes. Here's what's happened over 19 years:

FIGURE 1 *What Lincoln charges you vs. what you pay in*



The red line crossed above your payment in 2017. Since then, Lincoln has been pulling more out of the account than you put in. The gap comes out of your savings inside the policy.

TABLE 1 *Where your money has gone (19 years)*

	AMOUNT
Total you paid in	\$68,400
Interest Lincoln added	\$15,800
Lincoln's insurance charges	-\$44,300
Administrative and other fees	-\$8,500
What's left in the account	\$31,400

2 What's changed since you bought this

Your life. When you and Robert bought this in 2006, you had young children and a mortgage. Robert has since passed away (his policy paid out \$500,000). Your son is now 34 and financially independent. Your house is paid off. You have a pension.

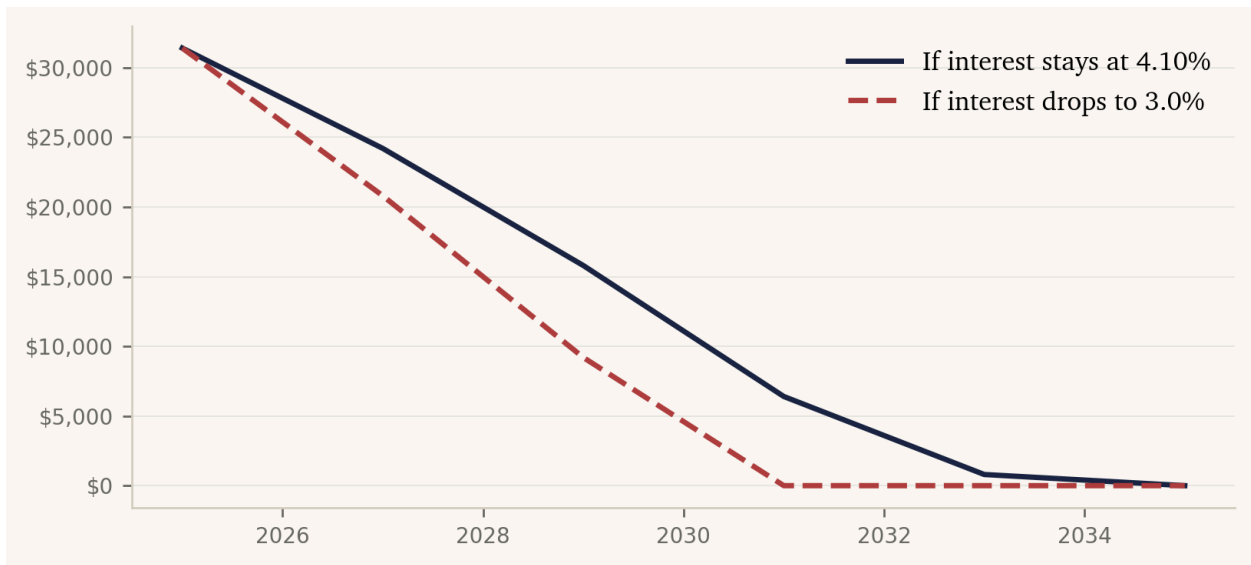
The policy. This policy was sold assuming you'd pay \$6,200 per year and the account would earn 5.75% interest. You've been paying \$3,600 and Lincoln now pays 4.10%. Less money in, less interest earned, same charges coming out. The account has been falling behind for years.

Who depends on your income. No one. Your son told you to stop paying, and the numbers support him — \$500,000 to a financially independent 34-year-old is a gift, not a safety net.

3 Where things stand

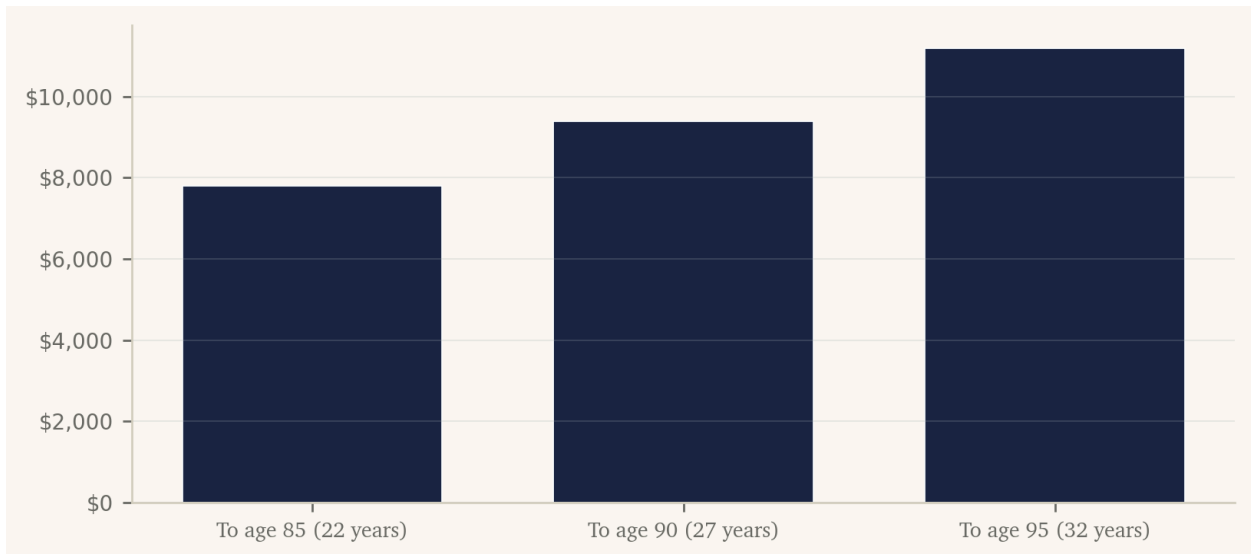
Your policy is slowly draining. At \$3,600 per year, the account runs out of money between age 68 and 72. When that happens, the insurance disappears — no payout, no refund, and the \$68,400 you've paid over the years is gone.

FIGURE 2 *Your account balance if you keep paying 3,600 per year*



To keep the full \$500,000 going for the rest of your life, you'd need to pay \$11,200 per year — more than triple what you pay now. Over 32 years, that's roughly \$358,000 to leave \$500,000 to a son who doesn't need it.

FIGURE 3 *What you'd have to pay each year to keep \$500,000 going to various ages*



You have better options.

4 Option A — Cancel and take the cash

The basics

You call Lincoln, cancel the policy, and they send you a check for \$31,400. You stop paying \$3,600/year — the cost going forward is zero.

There's no tax on the \$31,400 — you've paid in \$68,400 over the years, so the IRS considers this a partial return of your own money. If you invested the \$31,400 at 5% per year, it would grow to about \$83,300 in 20 years. You'd also stop paying \$3,600/year — invested at 5%, those savings add up to about \$106,000 over 20 years. Total: roughly \$189,000 in an investment account.

The trade-off: the \$500,000 insurance payout disappears immediately. Your son gets nothing when you die (from this policy). There is no way to undo this.

Over 20 years, this path produces roughly \$189,000 — more dollars than any other option. But it's taxable, depends on market returns, and your son gets zero if something happens to you early.

When this fits

This is the right path if you need the \$3,600/year for living expenses in retirement, or you've decided your son doesn't need an inheritance from this policy and you'd rather have the money working for you. Over 20 years, this path produces more dollars than any other option — but the money is taxable and depends on investment returns.

It stops making sense if your son becomes financially dependent on you, or if you want to leave him something guaranteed regardless of market performance.

How to do it

Call Lincoln National at 1-800-454-6265. Tell them you want to surrender your LifeReserve Accumulator policy. They will send you \$31,400. No tax. This cannot be undone.

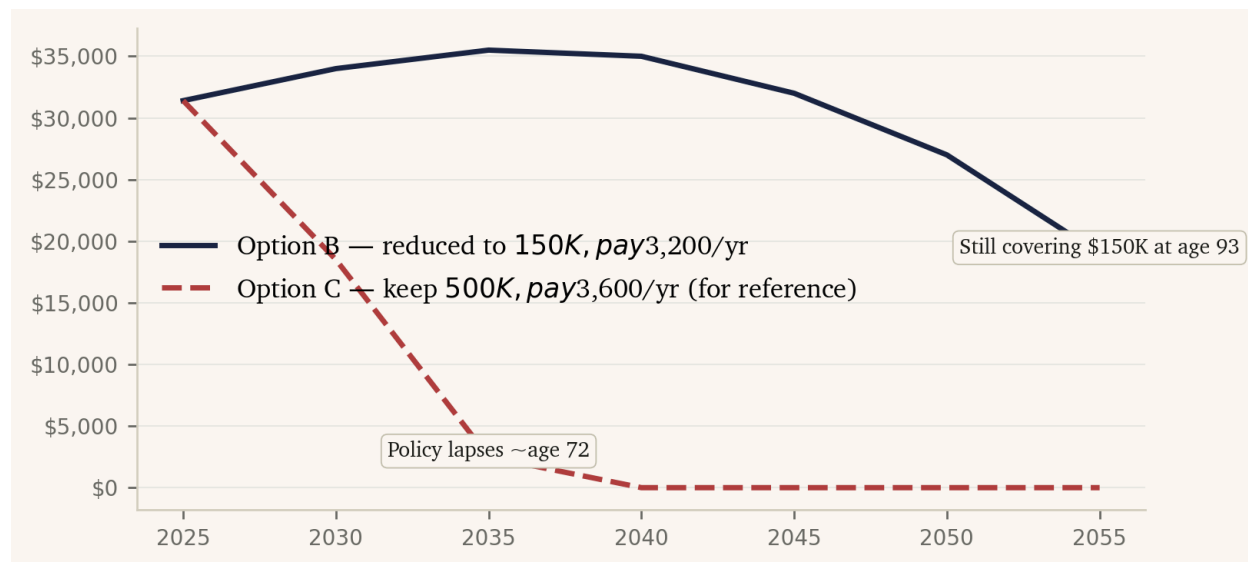
5 Option B — Shrink the insurance to \$150,000

The basics

Ask Lincoln to reduce the death benefit from \$500,000 to \$150,000. This dramatically lowers Lincoln's monthly charges — from about \$7,840/year to roughly \$2,400/year. At approximately \$3,200/year (less than you pay now), the policy could last the rest of your life.

Your son receives \$150,000 when you die — tax-free, guaranteed, regardless of the stock market. The account stays healthy. You pay less than you do today. Over 20 years, that's approximately \$64,000 total.

FIGURE 4 *Option B — account stays healthy for the rest of your life*



The trade-off: the death benefit drops from \$500,000 to \$150,000. And \$64,000 over 20 years is real money.

If you cancel instead (Option A), you'd have roughly \$189,000 in an investment account after 20 years — but it's taxable and depends on market returns. This option delivers

\$150,000 tax-free, guaranteed, from day one. If something happens to you at age 65, your son gets \$150,000 right away. Under Option A, the investment account would only have about \$35,000 at that point.

Costs less than you pay now, lasts the rest of your life, and your son gets \$150,000 tax-free regardless of what markets do.

When this fits

You want to leave your son something meaningful without overpaying. The \$3,200/year fits your retirement budget. You value the certainty — this pays regardless of what markets do, and it can't be declined because of your health.

It stops making sense if you need the \$3,200/year for living expenses in retirement — cancel instead. If your health declines significantly, a company that buys life insurance policies might pay more than the \$31,400 Lincoln would give you — check before making any changes.

How to do it

Call Lincoln National at 1-800-454-6265. Tell them you want to reduce the death benefit on your LifeReserve Accumulator policy to \$150,000. Ask them to send you an updated projection showing how much you'd need to pay each year to keep the reduced policy going for the rest of your life. This is free.

6 Option C — Keep paying \$3,600/year and change nothing

The basics

Continue as-is. Don't call Lincoln, don't change anything. You keep paying \$3,600 per year until the policy runs out of money (age 68-72). Total: roughly \$18,000-\$32,000 more, depending on when it cancels.

You'd have \$500,000 of insurance for the next 5-9 years. After that, the policy cancels automatically when the account hits zero — the insurance disappears and you get no refund. The \$68,400+ you've paid over the years, plus whatever you pay between now and then, is gone.

If you canceled today, you'd get \$31,400. By continuing to pay \$3,600/year into a draining account, you're spending money to delay an inevitable cancellation. The \$31,400 currently in the account will be consumed by Lincoln's charges whether you keep paying or not — your payments just slow the drain.

This path leads to losing everything — the insurance, the cash value, and every dollar you've paid in. The only question is when.

When this fits

Almost never. The only scenario: you expect to die within the next 5-9 years and want the \$500,000 payout for your son. In that case, the \$18,000-\$32,000 in remaining payments buys a \$500,000 payout — a significant return.

If you're in good health and expect to live past 72, this path guarantees you lose everything.

How to do it

Nothing. Keep paying \$3,600/year. But understand that the policy will cancel between age 68 and 72, and you will get nothing back.

7 Option D — Triple your payments to keep the full \$500,000

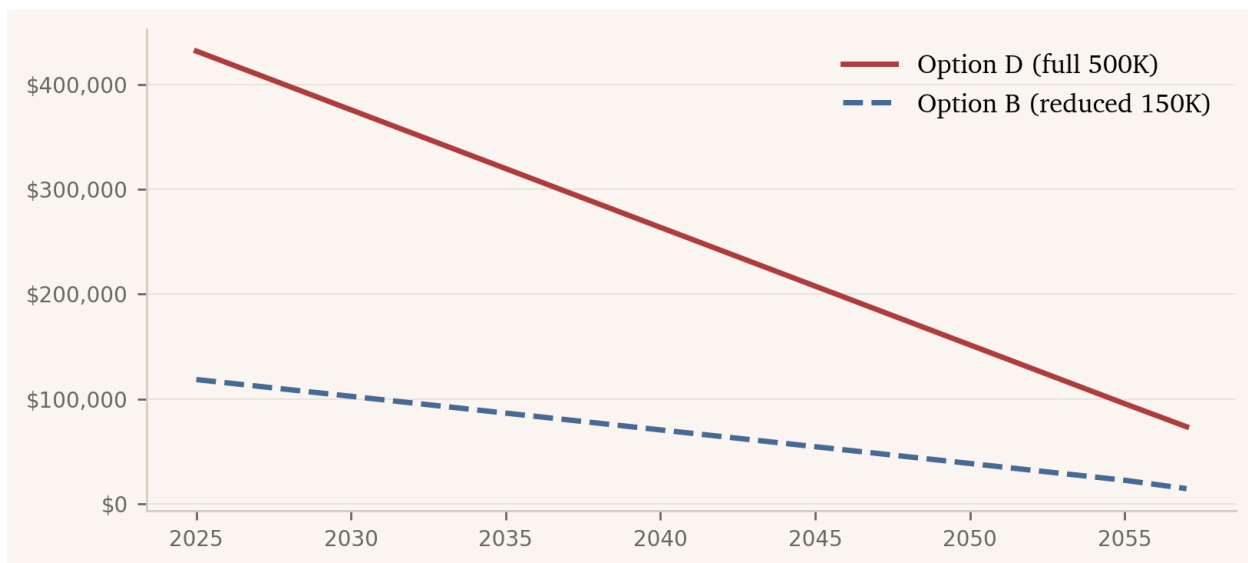
The basics

Increase your payment to \$11,200 per year — roughly \$933/month — to keep the full \$500,000 of insurance going for the rest of your life. Over 32 years (to age 95), that's approximately \$358,000 total.

Your son receives \$500,000 when you die, tax-free, guaranteed. But the net benefit shrinks every year. By age 85, you'll have paid \$279,000 for a \$500,000 payout. By age 95, you'll have paid \$427,000 — more than the insurance would pay.

By age 95, you'd have paid more into this policy than it would pay out. The math gets worse every year you live.

FIGURE 5 *What your son actually gains over time*



When this fits

You have a strong reason to leave \$500,000 to your son — estate planning, a family business, a promise you made. And \$11,200/year fits comfortably in your retirement budget.

For most people in your situation, this is too expensive for what it delivers. The net benefit to your son shrinks every year. The money might serve you better in retirement — travel, healthcare, peace of mind.

How to do it

Call Lincoln National at 1-800-454-6265. Tell them you want to increase your premium to the amount needed to carry the policy to age 95. They will confirm the exact number (our estimate is \$11,200/year based on the in-force illustration).

8 Which option fits you?

IF THIS DESCRIBES YOU...	CONSIDER...
You need the \$3,600/year for retirement and your son is financially secure	Option A — cancel and take the \$31,400
You want to leave something for your son without overpaying, and \$3,200/year fits your budget	Option B — shrink to \$150,000
You have a specific reason to leave \$500,000 and can afford \$11,200/year	Option D — keep the full amount
Your health has declined significantly since buying the policy	Before choosing any option, check whether a company that buys life insurance policies would pay more than \$31,400 for yours

One thing that cuts across all options: if your retirement budget changes — if your pension is less than expected, if healthcare costs spike, if you want to travel more —

the insurance payment is the flexible line item. Options A and B both free up money. Option D locks you in.

You do not need to decide today. But if you're leaning toward Option B (shrink to \$150,000), call Lincoln to confirm the exact numbers before your next payment is due.

Hi Diane — I hope this review gave you a clearer picture of where things stand and what your real options are. These decisions are personal, and there's no single right answer — just the one that fits your situation. If anything in here raised questions, or if you'd like to talk through the trade-offs, I'm always happy to get on a call. You can reach me at rikin@getsure.org or (925) 391-8282.

Warm regards,

Rikin Shah

Co-Founder, GetSure Insurance Agency