

James Okafor — Life Insurance Policy X-Ray

YOU	James Okafor, age 54
YOUR POLICY	New York Life Custom Whole Life, issued September 2009
YOU PAY	\$6,840/year
CASH VALUE	\$98,400
DEATH BENEFIT	\$412,000
OTHER COVERAGE	\$284,000 group term through employer

Questions this X-Ray answers

- ♦ What does this policy actually do?
- ♦ Is the \$6,840/year worth it?
- ♦ Could that money be doing more for your family somewhere else?
- ♦ What are your options?
- ♦ Which option fits your situation?

The reading

Your policy is doing what it was designed to do. The dividend is growing on schedule, the death benefit has compounded from \$350,000 at issue to \$412,000 today, and the cash value is roughly where a 16-year-old whole life policy should be. The question for you isn't whether this policy is broken — it isn't — it's whether the \$6,840/year is

better deployed somewhere else given that your daughter starts college in 2027 and your 529 balance is short. The options below frame that tradeoff.

1 What you have and how it works

You have a whole life policy from New York Life. Unlike the term insurance you get through work (which expires when you leave), this policy lasts your entire life as long as you keep paying. It does two things:

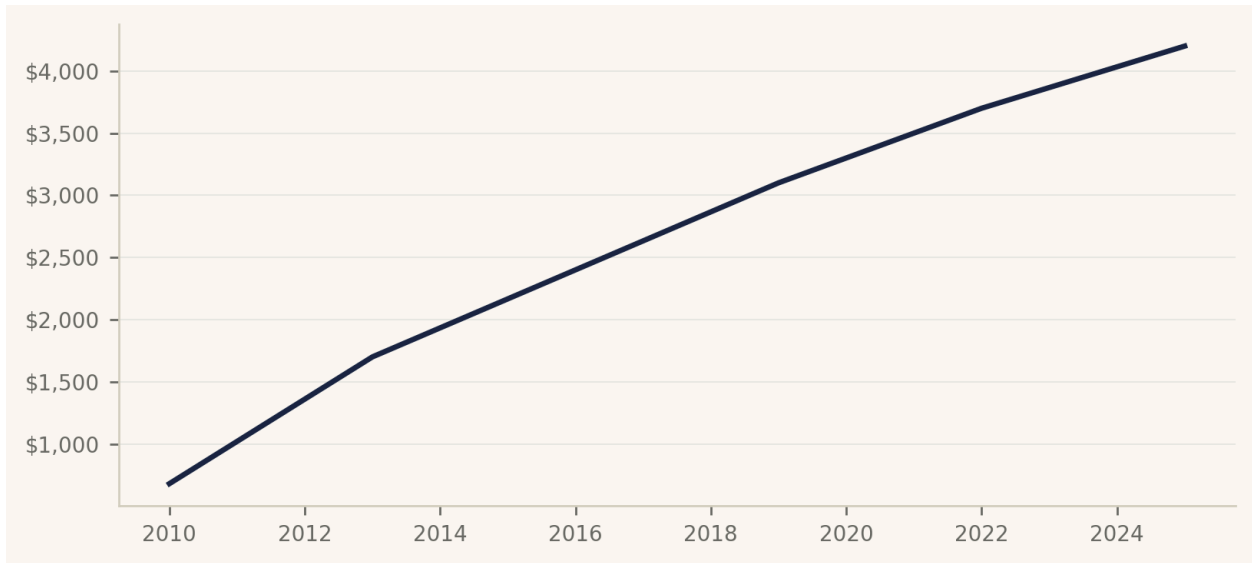
It pays \$412,000 to your family when you die. This started at \$350,000 when you bought it. It's grown to \$412,000 because of dividends (explained below).

It builds a savings account inside the policy. That account — called cash value — is currently \$98,400. This is your money. You can access it by canceling the policy or borrowing against it.

The dividend

New York Life pays you a dividend each year — a share of the company's profits. Your dividend this year was \$4,200. It's been growing steadily:

FIGURE 1 *Your annual dividend*

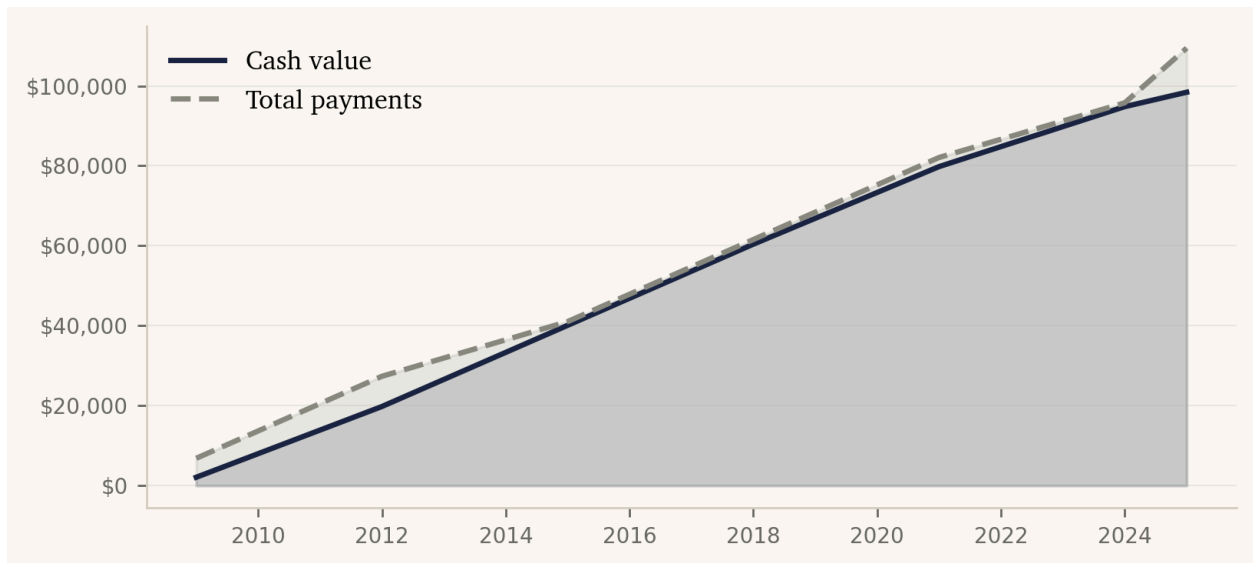


Right now, your dividend is set to “paid-up additions” — each year’s dividend automatically buys a small piece of additional permanent insurance. That’s why your death benefit has grown from \$350,000 to \$412,000 over 16 years. You can change how the dividend is used (more on this in the options below).

2 Where your money has gone

You’ve paid \$109,440 in premiums over 16 years. The cash value is \$98,400 — about \$11,000 less than what you’ve paid.

FIGURE 2 *Cash value vs. total payments*



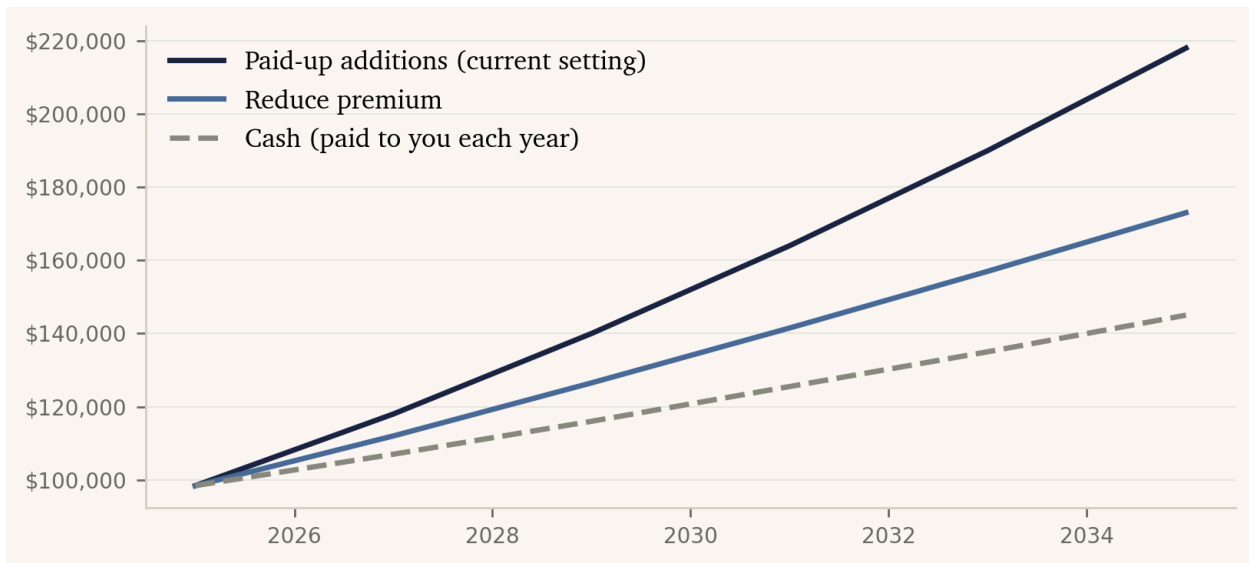
The gap is closing. Whole life policies are front-loaded — the early years carry higher internal charges — and the crossover (where cash value passes total payments) typically happens between year 15 and 20. Your policy is on that trajectory.

We don't have the original paperwork from 2009 to confirm whether the policy is ahead of or behind schedule. You could request a current projection from New York Life to see (details in the options below).

3 How the dividend can be used

You have three ways to use the \$4,200/year dividend. The setting you pick changes the trajectory of the policy. Right now it's set to "paid-up additions." Here's what each choice does to the cash value over the next 10 years, roughly:

FIGURE 3 Cash value under each dividend setting (estimated)



The death benefit reacts too: paid-up additions grow it by about \$1,800-\$2,400/year, reduce premium and cash both freeze it at today's \$412,000. The setting is a phone call to change and it's reversible. Keep this chart in mind when you look at the options below.

4 Do you still need this insurance?

Your total coverage right now is \$696,000 (\$412,000 from this policy + \$284,000 from work).

TABLE 1 What your family would need if you died today

	AMOUNT
Remaining mortgage	\$140,000
College costs (two children)	\$200,000–\$300,000
Income replacement (5 years of the gap)	\$320,000
Total need	\$660,000–\$760,000

Your \$696,000 of coverage is in the right range. It's not excessive and it's not dramatically short.

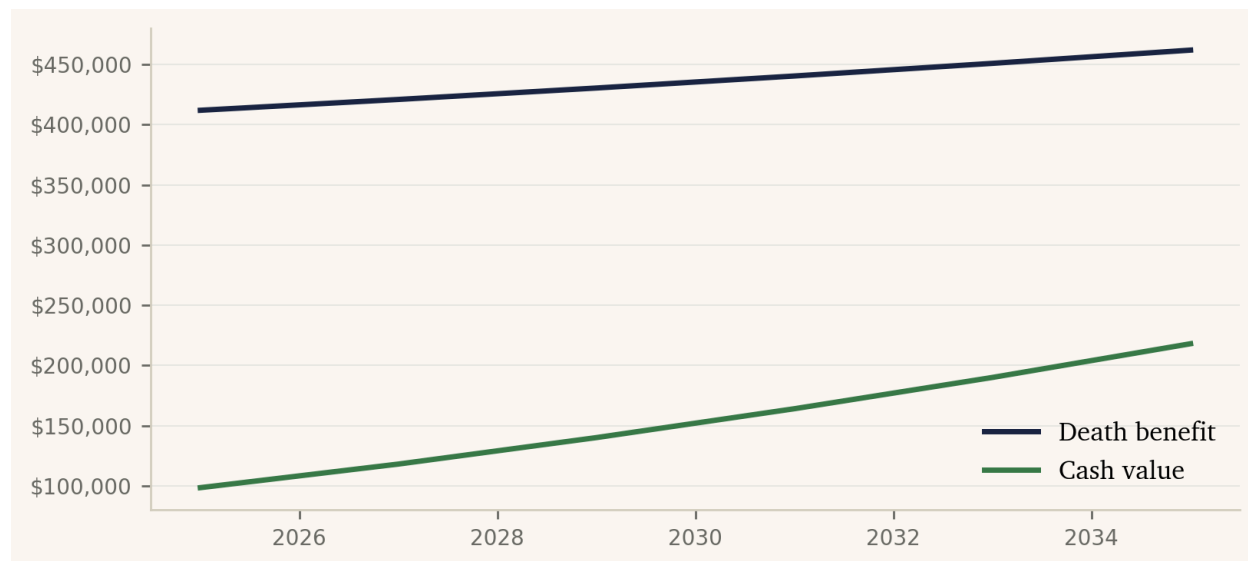
One thing to watch: the \$284,000 from your employer goes away when you leave the job or retire. If you retire at 62-63, the New York Life policy becomes your only coverage. The whole life doesn't expire — the group term does.

5 Option A — Keep paying and change nothing

The basics

Continue paying \$6,840/year. The dividend stays on paid-up additions. Cash value and death benefit keep growing. Over the next 8 years (until your youngest finishes college), you'll pay \$54,720.

FIGURE 4 *Option A — cash value and death benefit over the next 10 years*



Death benefit continues growing — currently \$412,000, likely \$440,000+ by the time your kids finish college. Cash value continues growing too — roughly \$190,000 by 2033. The policy is healthy, the dividend is growing, and nothing needs to change.

The trade-off: \$6,840/year that could go toward college savings. Your 529 balance is \$45,000 for two kids — well short of what you'll need.

The policy is healthy and doing its job. The only question is whether \$6,840/year could be working harder for your family somewhere else right now.

When this fits

You can comfortably afford both the \$6,840/year premium and your college savings needs. The policy is doing what it's supposed to do — the only question is whether the money could work harder elsewhere.

It stops making sense if the \$6,840/year is squeezing out college savings or retirement contributions. If something has to give, see Options B and C.

How to do it

Nothing. Keep paying \$6,840/year.

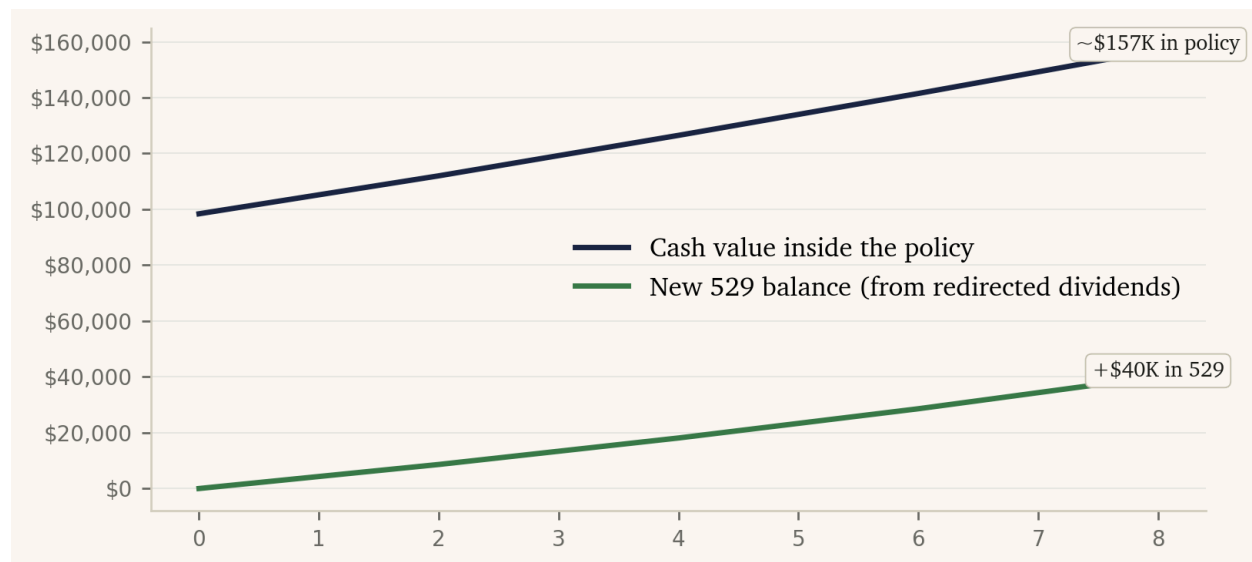
6 Option B — Switch the dividend to reduce your payment

The basics

Call New York Life and change your dividend setting from “paid-up additions” to “reduce premium.” Instead of the dividend buying more insurance, it goes toward your annual payment. Your out-of-pocket cost drops from \$6,840 to approximately \$2,640 per year — the dividend covers the rest. Over 8 years: approximately \$21,100 out of pocket.

The death benefit stays at \$412,000 — it stops growing, but it doesn’t shrink. Cash value continues to grow, though more slowly. You free up roughly \$4,200/year for college savings or other priorities.

FIGURE 5 Option B — redirecting \$4,200/year into a 529 at 5%



The trade-off: your death benefit stays flat instead of growing by \$28,000, and your cash value is roughly \$33,000 lower in 8 years. You’re moving money from inside the

policy (where it grows tax-deferred) to the 529 (where it grows tax-free for education). For college funding, the 529 is more efficient.

You free up \$4,200/year. Over 8 years at 5% in a 529, that's \$40,000 in new college savings — for the price of a slower-growing policy.

When this fits

College costs are the pressing need and \$6,840/year is tight. This is the lowest-disruption option — one phone call, reversible, and your payment drops by more than half.

It stops making sense if both children get scholarships or financial aid covers the gap — switch the dividend back to paid-up additions and let the policy keep growing. This change is reversible at any time.

How to do it

Call New York Life at 1-800-695-8536. Ask to change the dividend option from Paid-Up Additions to Reduce Premium. Takes effect at your next policy anniversary. Free and reversible.

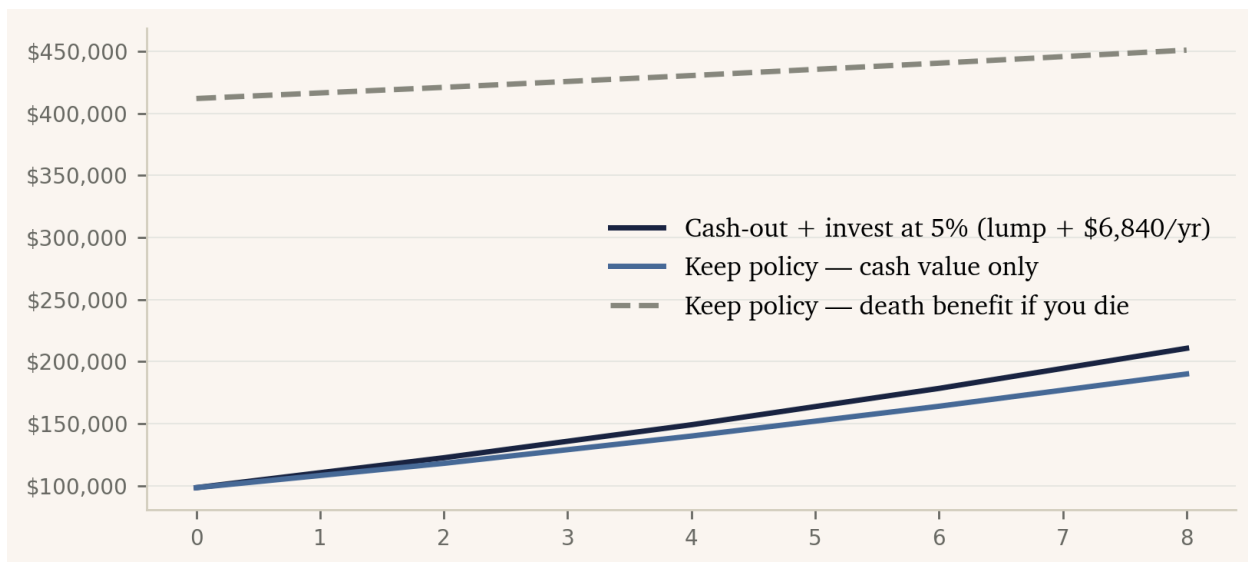
7 Option C — Cancel the policy and take the cash

The basics

Call New York Life, cancel the policy, and they send you \$98,400. No tax — your cost basis of \$109,440 in premiums paid exceeds the cash value. You also stop paying \$6,840/year.

If you invested both the \$98,400 lump sum and the \$6,840/year savings at 5%, you'd have roughly \$211,000 in 8 years. The keep path (Option A) produces a death benefit of \$451,000 and a cash value of \$190,000. The investment path pulls ahead of the cash-value-only comparison — but only if you never die while the policy is in force.

FIGURE 6 *Option C — cash out and invest vs. keep paying*



The trade-off: the \$412,000 death benefit disappears permanently. With two children still at home, a mortgage, and your group term set to expire when you retire, that death benefit is still doing its job. Replacing it would be expensive — a new whole life at

age 54 with managed cholesterol would cost roughly \$12,000-\$15,000/year. A 20-year term would cost \$1,800-\$2,800/year but expires at age 74.

You'd get \$98,400 today — but you'd lose \$412,000 of permanent coverage that would cost \$12,000-\$15,000/year to replace. At 54 with two kids at home, the math doesn't favor cashing out yet.

When this fits

You're certain you don't need the death benefit — children independent, mortgage paid, spouse financially secure — and you'd rather have the cash. At 54 with two kids still at home, that's likely not today.

It stops making sense while you still have dependents, a mortgage, or a need for guaranteed coverage that survives retirement. All three are true right now.

How to do it

Call New York Life at 1-800-695-8536 and request a full surrender. You will receive \$98,400 with no tax consequence. This cannot be undone.

8 Which option fits you?

IF THIS DESCRIBES YOU...	CONSIDER...
\$6,840/year fits your budget and college savings are on track	Option A — keep everything as-is
College costs are the pressing concern and you need to free up cash	Option B — switch the dividend (\$2,640/year, frees up \$4,200)
Your kids are independent, mortgage is paid, and you don't need the death benefit	Option C — cancel and take the \$98,400 (probably not yet at age 54)

The most likely fit right now: **Option B** — because your daughter starts college in 2027, your 529 savings are short, and the dividend switch frees up \$4,200/year without giving up the death benefit. It's one phone call and it's reversible.

But this is your decision. If you can afford both the \$6,840/year and college costs, Option A is the simplest path — the policy is healthy and doing its job. If your financial picture changes (inheritance, job change, both kids get scholarships), revisit.

One thing worth doing regardless of which option you choose: call New York Life and request a current in-force illustration. This shows where the policy is headed under different scenarios. It's free and it gives you better numbers than the estimates above.

Hi James — 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