

## LIFE INSURANCE Why?

The easy answer to that question is: *Because we will die someday and leave somebody behind that needs some money because we lived.*

Texas comes in at number thirty out of the fifty states in life expectancy. The last number I saw had our average life expectancy at just over seventy-six and a-half years. When the actuaries apply all of the accepted formulas, they tell us that, for every one hundred Texans, over one thousand of those between the ages of fifty-five and sixty-four die every year. As you would imagine, the numbers increase as the ages increase.

Life insurance can be used to avoid probate and/or estate taxes, to provide your dependents with self-sufficiency and to pay your bills, as well as final expenses. It is a valuable tool, but only one of the tools necessary to insure financial health. Your attorney and/or estate planner can best help you decide how much and what kind of life insurance, if any, you need to protect your family, your business and to make sure your final wishes are carried out. My expertise does not lie in estate planning, legal issues or financial advice.

Instead I want to visit with you today about just one of several everyday, mundane situations where life insurance, particularly term insurance, can provide an inexpensive answer to a serious exposure. Buy/Sell Agreements come first to mind. Do you have a partner or partners? If so, would you want to be in business with the spouse or even the children of your partner? If not, I encourage you to contact your legal advisor today to discuss a buy/sell agreement. But a buy/sell agreement without funding resembles a government mandate with no money to follow through, more headache than help. In other words, requiring by contract that the deceased partner's survivors sell to you their inherited interest in the business is useless unless you have the capital to pay for it. Term life insurance is a good source of funding for a cross purchase agreement.

Advantages include a generally income-tax-free cash lump sum available relatively quickly after death. Among the disadvantages are on-going premiums paid with after-tax dollars and the

possibility of the partners' widely varying ages, meaning the younger persons may bear the largest burdens by paying premiums on the older partners. However, legal and accounting advisors often have solutions to those challenges.

From my insurance experience, I can attest to the flexibility and wide acceptance of term life policies as a financially prudent method of funding buy/sell agreements to avoid many of the difficulties that follow the death of a business partner. In addition, term life contracts can be used as key-man insurance, loan guarantees, mortgage protection, college costs security funds in the event of a parent's death and peace of mind should the expected occur at a most unexpected time.

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If I haven't touched on a subject near and dear to your heart, do not hesitate to contact me. [annmullen@mulleninsurance.com](mailto:annmullen@mulleninsurance.com) or [www.mulleninsurance.com](http://www.mulleninsurance.com). I'm eager to receive your feedback, questions and comments. The intent of this column is to serve Texas Independent Automobile dealers, and most especially, HIADA members. Let's make this column work for you.

*Ann Mullen-Martin, President, Mullen Insurance Agency Inc.*