3 reasons physicians should not avoid life insurance

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As a physician, you want to take care of people. That's more than just a professional calling — you're also driven to provide for your family as much as possible.

As a high-earner, life insurance is one way to ensure your loved ones are taken care of after your death. But it can also grow wealth for you to enjoy during your lifetime.

There are three big reasons physicians should consider life insurance as part of their financial strategy:

1. Life insurance can help physicians **grow wealth**

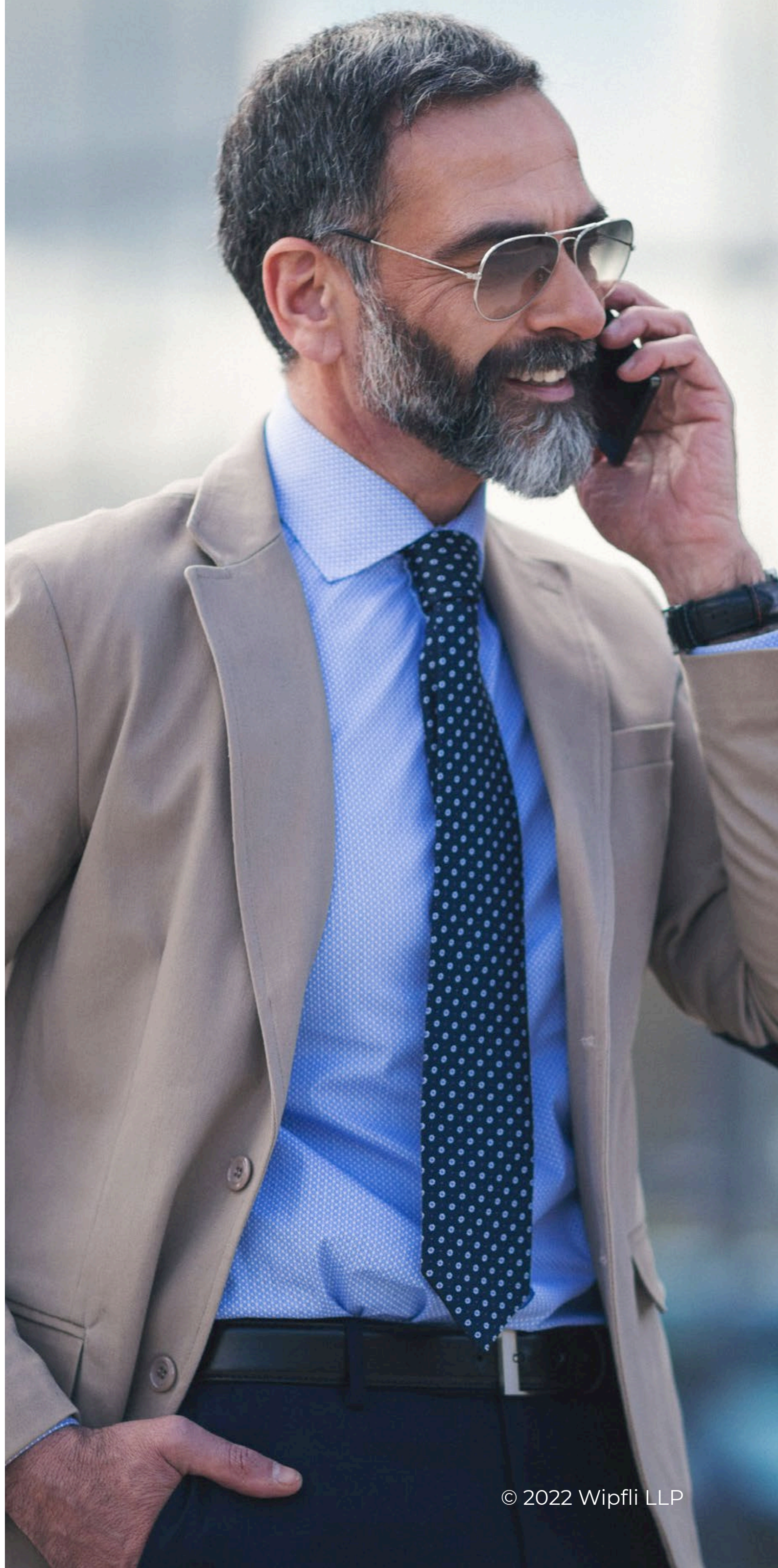
Cash value life insurance is a type of permanent insurance that includes an investment feature. The portion of the policy that earns interest may be available for you to withdraw or borrow against in certain circumstances.

Here's how it works:

Once you purchase a cash value life insurance policy, you pay a monthly premium. The cash value you contribute to the policy grows via dividends or another underlying investment. In some cases, the cash value increases to a point where the policy owner can discontinue premium payments.

Variable universal life (VUL) insurance is a type of permanent insurance that can be structured to accumulate wealth and mitigate tax liability. To do this, you purchase the lowest death benefit allowed for the most premium you can put into the policy. Because the assets you contribute are invested, the cash value builds year after year.

For physicians, a VUL accumulation strategy offers a strong option to grow wealth in a tax-efficient investment vehicle — especially while your household earnings are in higher income tax brackets. Enrolling in life insurance can help you grow wealth and save on taxes that would have been due on distributions.



2. Life insurance can help physicians **fund retirement**

Often, cash value life insurance policies are designed to accept premiums until retirement. Then, in retirement, you withdraw your basis (or take a loan against the cash value) and distribute it to yourself tax-free. That means your life insurance policy can become a source of earnings after you stop working.

Life insurance can also protect a loved one's retirement plan or family expenses, should you pass away before you reach retirement. Because physicians are typically high-income earners, they need adequate income replacement for their family if something were to happen to them.

That's where term life insurance can come into play. With term life insurance, you can choose the death benefit amount and a term that covers your highest-risk years. Term policies are the least expensive form of life insurance you can buy — but they can give you peace of mind that your family will be taken care of if you pass away before you retire.

As you get older and build up more retirement savings, you won't need the same level of income replacement a term policy offers; therefore, you can let the coverage expire or reduce your coverage.

How much death benefit do you need?

Determining the appropriate death benefit amount depends on your lifestyle and how much debt you have. Are you still paying student loans? Do you own more than one house? Are you saving for someone's college tuition? How much money would your spouse need to continue supporting your family's current lifestyle?

If you own a practice, insurance benefits should cover loss of business income and enable your spouse to comply with any buy-sell agreements in place, if you share the practice with other physicians.

Your financial advisor, tax advisor and insurance professional can help you consider all the factors and ensure the death benefit you purchase is enough.

3. Life insurance can help physicians **mitigate estate taxes**

You may accumulate enough wealth that your heirs will need to pay estate taxes upon your death. To avoid placing them in the unfortunate position of having to liquidate other portions of your estate to pay those taxes, you can name them as beneficiaries of your life insurance policies.

This is another area where working with a financial advisor can benefit you. They can project the value of your estate at various points in the future, estimate how much estate tax your heirs may face, and discuss appropriate strategies to limit the tax impact on your heirs.

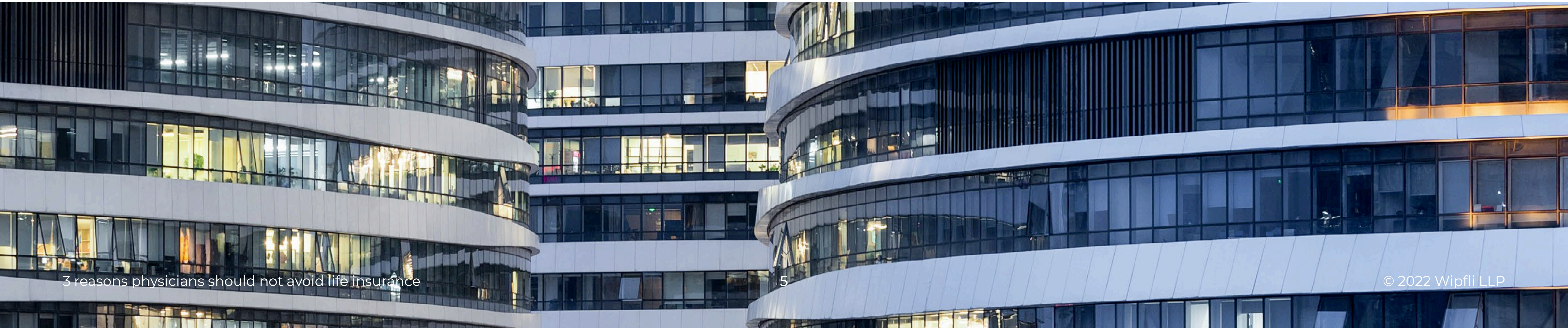
Should you set up an irrevocable life insurance trust?

If projections indicate that you may have a taxable estate, the first thing you want to consider is removing cash value insurance policies from your estate.

One common strategy is to set up an irrevocable life insurance trust (ILIT). With an ILIT, a trustee purchases a second-to-die policy on your behalf. You provide assets to the trustee (usually cash) to make the monthly premium payment.

An ILIT removes the underlying cash value, and future growth on that value, from your estate and allows tax-free distribution into the trust upon death.

If you have an existing cash value life insurance policy and decide to gift it to an ILIT, you may have to pay a gift tax if the cash value exceeds the annual gift tax exclusion ($15,000). In this case, you may consider the tax impact of surrendering your current policy and starting fresh with one purchased by the ILIT.

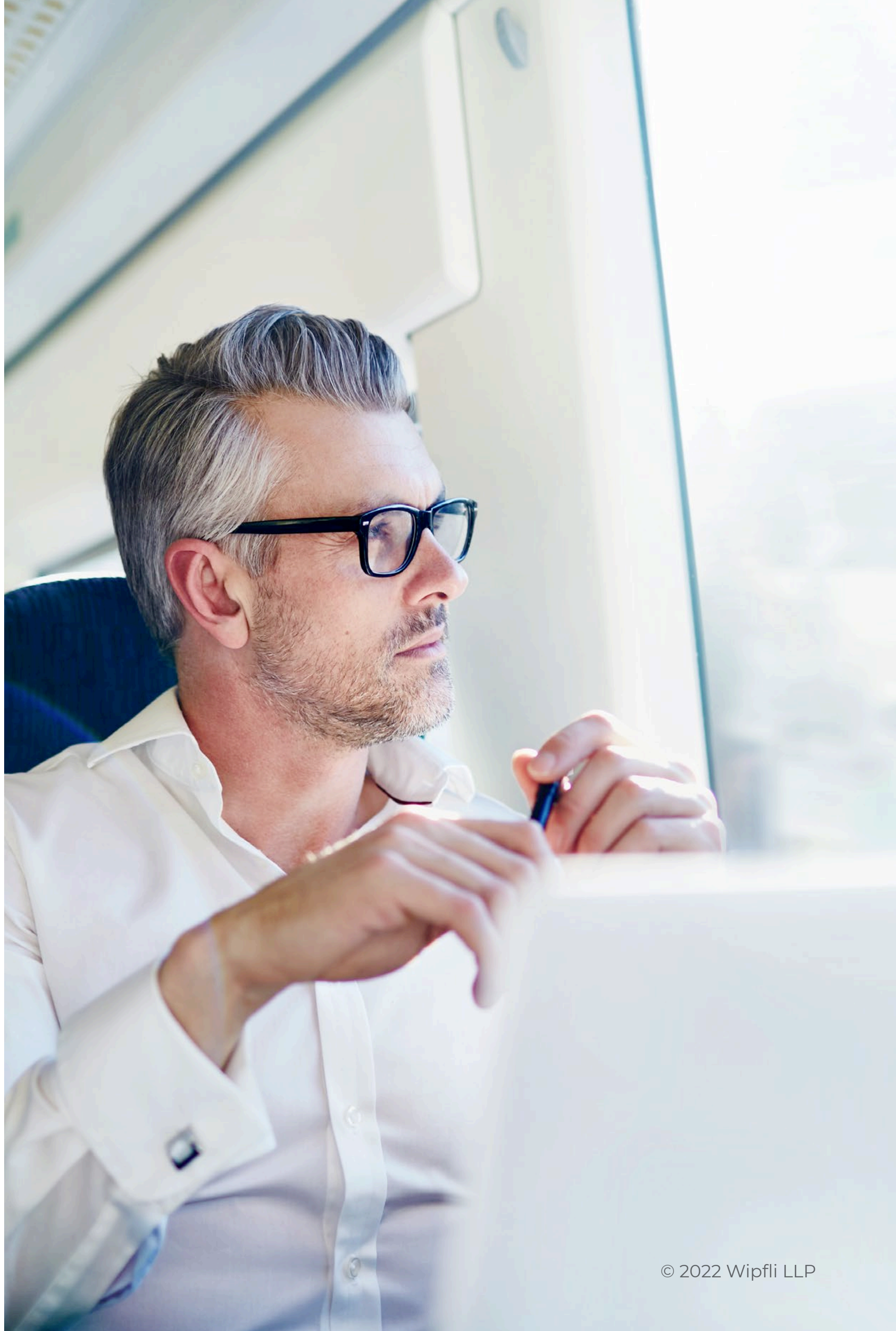


Get help from specialists

You don't have to figure this out alone. Financial specialists can pull complex situations into focus and help you make decisions that have lasting impact.

Working with a financial advisor and a trusted insurance professional is the best way to ensure you purchase the right insurance policies and leverage the right strategies for your situation – and as it changes.

Wipfli Financial works with physicians to complete their whole-life financial plan: investments, retirement, insurance and business transitions. Holistic financial planning provides a full picture of your life and financial future.



Pursue your retirement goals

When you stop collecting a regular paycheck, cash flow can become complex or overwhelming. Early planning can mitigate that stress and ensure your retirement plans come to life, worry-free.

Wipfli and Wipfli Financial Advisors teams work together to prepare for all your life changes, including retirement. We make sure tax, estate, business transition and wealth management plans are aligned with your financial and personal goals — and attainable.

Are you ready for your next chapter?

Let's find out — and get there — together.

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