



*Brought to you by Joseph R. Noa*

**KNIGHTS OF COLUMBUS**

# Financial Beacon

Fall 2010

## Permanent life insurance

A gift of lasting  
value

**SINGLE PREMIUM  
WHOLE LIFE:**  
The 'one and done'  
life insurance option

### **Letter from your agent:**

K of C's consistently high ratings  
reaffirm financial stability & trust





## A MESSAGE from your agent

### Dear Brother Knight:

If you read the *Financial Beacon* regularly, you've probably seen us mention the ratings our Knights of Columbus insurance operation receives from the rating agencies, A.M. Best and Standard & Poor's. Why do we make such a big deal of these ratings, and what do they mean to you?

Rating the financial stability of life insurance companies is something that A.M. Best and Standard & Poor's have been doing for more than 100 and 150 years, respectively. Inspecting the books of the Order's insurance operation doesn't involve assessing risky new derivatives and credit default swaps. In our books, ratings agencies see a conservative, values-based approach to managing our business.

So when you trust us to help you protect the financial future for you and your family, be reassured that in 2010 Standard & Poor's reaffirmed its top rating (AAA Extremely Strong) for the 18th consecutive year, and A.M. Best reaffirmed its top rating (A++ Superior) for the 35th consecutive year.

Faternally yours,

**Joseph Noa**

## The 'ONE and DONE' life insurance option

If you're expecting a check with several more digits after the dollar sign than usual, you probably have a big decision to make.

For most of us in this situation, life insurance wouldn't be the first option to come to mind. However, under certain circumstances, a "single premium whole life" insurance policy may be the perfect safe harbor for proceeds from an inheritance, a retirement fund payout, the sale of a business, or some other windfall.

As the name implies, single premium whole life (SPWL) is a one-and-done solution: You make a single premium payment and the death benefit paid to your beneficiary is guaranteed.

### Increase the guaranteed amount of your estate instantly

As with any life insurance policy, a key advantage of SPWL is that the full amount can pass directly to beneficiaries without taxes being assessed, and without going through the probate process.

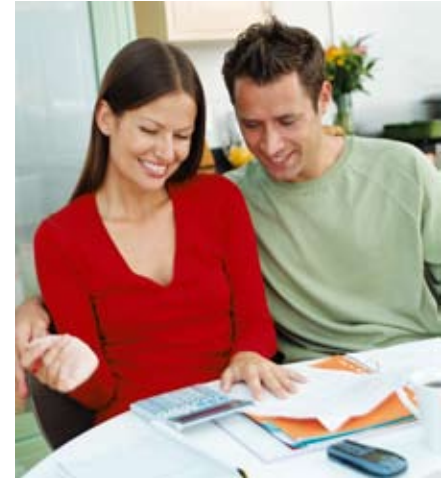
So, if your top priority for a chunk of money is to pass it along to your spouse, heirs, or a charity, SPWL guarantees no unforeseen hardship can cause the policy to lapse due to unpaid premium.

An SPWL policy can be especially valuable at two stages in life:

### 1 Near retirement age or already in retirement

Couples commonly buy life insurance when they know they'll be living on retirement benefits that reduce when the first spouse dies. If you haven't done this (or haven't bought enough life insurance yet) and you acquire a significant lump sum, you and/or your spouse may be able to get an SPWL policy up to age 80.\*

It's worth finding out what a Single Premium Whole Life policy premium would be, given your age and condition, and weighing any tax advantages the SPWL policy may provide.



**SINGLE PREMIUM WHOLE LIFE (SPWL) IS A ONE-AND-DONE SOLUTION: YOU MAKE A SINGLE PREMIUM PAYMENT AND THE DEATH BENEFIT PAID TO YOUR BENEFICIARY IS GUARANTEED.**

### 2 At the beginning of life

By purchasing a permanent life insurance policy for a child, you're getting the highest possible death benefit for your dollar—but that isn't really the main point of such a gift. (For more about giving the gift of whole life insurance, read the article on the next page.)

When you purchase an SPWL policy, you immediately create substantial cash value in addition to the death benefit. Other whole life policies build cash value more gradually, with each premium payment. In addition, over time, an SPWL policy\* can pay dividends that further increase the cash value. Dividends aren't guaranteed, but traditionally they've generated significant value over long periods. And a young person's SPWL will have plenty of time to grow cash value that can be borrowed later.

If you'd like to learn more about how SPWL policies work and how they compare to other options that might suit your family's specific needs, please get in touch with me. ♦

\*The policy details described in this article refer specifically to Knights of Columbus Single Premium Whole Life products.

# A gift of unique and lasting value

Permanent life insurance certainly isn't a flashy gift. But, dollar for dollar, it's difficult to image anything that brings more lasting value as a gift to a charity, a young couple, or a child.

## Maximize the benefit to a charity

Giving a large sum to a charity is a wonderful thing. The same amount can deliver far more, however, if used to purchase permanent (or "whole") life insurance.

Although the charity will not receive the death benefit right away, in some circumstances the charity can borrow from the policy's cash value—which grows tax free—while you're still alive.

Charitable gifts of life insurance can be structured within a trust. Some of these allow you to generate income for yourself and a death benefit for your family, while still providing the charity a substantial benefit. Setting up a trust requires working with an expert in this area of tax law.

## Help young families lay a financial foundation

Life insurance protection is needed and most affordable when you're young and healthy—the very time of life when most of us have the least income.

A whole life policy for a young adult, especially a newlywed, is actually several gifts:

■ **A death benefit to support a spouse or children;** the basic purpose of any life insurance policy.

■ **A lesson in life (insurance):** Perhaps your gift will account for just a small portion of what the recipient will eventually need. But now you've helped this young person take the first step. It's far more likely now that he'll grasp life insurance's role in replacing a breadwinner's income, to protect the surviving family's financial future.

■ **A source of funds down the road** for a child's education, a down payment on a home, or a shelter against hard times.

## Guarantee insurability for a young child

Nothing is more distressing than thinking about a child dying, but in truth, in most cases we don't buy life insurance for a child to prepare for a loss of life. We buy it to provide benefits for that child, and his or her children, over a long life.

Consider buying a policy that will be fully paid by the time the child is an adult (and thus can become the policy owner, and can designate beneficiaries). A single premium whole life policy (see the article on the previous page) or a policy priced to be fully paid in 20 years is ideal.



Two extra features that greatly enhance a child's policy:

- **A Guaranteed Purchase Option** allows children to purchase an additional death benefit coverage, and add more cash value to the policy, up to seven times—regardless of their health—before they reach age 40. You're guaranteeing their future insurability.
- **A Disability Waiver** allows the policy to stay active without making premium payments due to a qualified disability of the insured.

Gifts of life insurance should always be discussed with a licensed tax expert. If you'd like to know more about how to give life insurance as a gift, please give me a call. ♦

## YOUR AGENT



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## Family benefits & services

Knights of Columbus insurance consistently ranks at the top of the industry in financial stability and ethics. Please call to discuss these services:

- Financial needs analysis
- Life insurance
- Tax deferred fixed-rate annuities
- Long-term care insurance
- Retirement planning
- Estate preservation
- Scholarships
- Family fraternal benefits

Contact me today for information on long-term care insurance

# What is an annuity?

Annuities are standard building blocks of retirement income. The basic concept of an annuity is simple: You pay into the annuity today; the annuity generates income for you when you retire.

The word “annuity” refers to the ability to “annuitize” the payouts from the fund when you reach retirement age, which means: Rather than taking a lump-sum payout, you also have the option to receive monthly payments for life, for a specific period such as 20 years, and you can also have payments that continue for a surviving spouse.

Rather than annuitize the fund, you may choose to withdraw some or all of the money in your annuity whenever you need it, although some or all of the funds may then be subject to income tax.

## Grow interest pre-tax

You may contribute a lump sum or a

series of payments to an annuity. You don't pay income taxes on the interest your money earns until you withdraw the money. This allows the interest to grow faster than if you paid the taxes as you earned the interest. And if you begin drawing income from the annuity after you retire, you may be paying less income tax on the interest if, after retirement, you're in a lower tax bracket than in your working years.

## Funding a Roth IRA

You may use an annuity to fund a Roth IRA. Roth IRA contributions are not tax deductible. This can provide tax advantages later when you begin to withdraw the money. Once the Roth IRA has been established for five years or longer, withdrawals of the principal can be made without incurring income taxes. If you are also at least age 59½ at that time, withdrawals of both principal and interest may be made without

incurring income tax liability. A Knights of Columbus annuity may also be used for Roth IRA conversions from a traditional IRA.

In either case, an annuity can give you the option to create a retirement income stream that you can't outlive. Please consult a tax professional when making decisions involving the advantages of establishing a Roth IRA vs. a traditional IRA.

## Contract is as safe as the insurance company

When you contribute money to an annuity, you're actually buying an insurance contract. The safety of your money depends entirely on the insurance company from which you buy the contract. The Knights of Columbus has many annuity options, and we guarantee a minimum return on every one of them. Please give me a call if you'd like more information. ♦