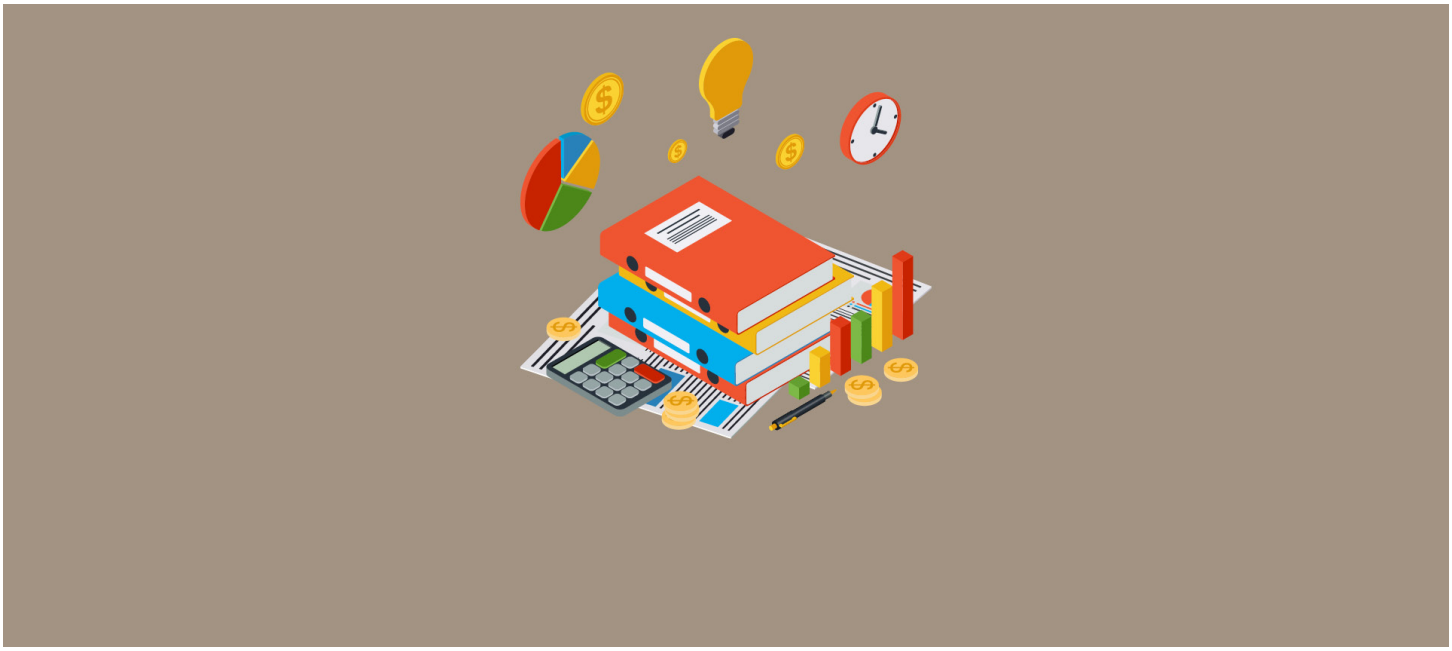


# Managing Your Life Insurance Portfolio

By Neil Downing

A corporate executive for a large, publicly held company had a sizeable life insurance policy. The company paid the premiums while he was employed. At his retirement, the policy transferred to him as its owner.

---

But the policy â??was expensive, with large ongoing premiums, and the death benefit would be taxable in his estate,â?• said Mike Gray, a financial advisor at CAPTRUST in Raleigh, North Carolina. It was an older policy with â??a high internal cost structure,â?• Gray said. The retired executive was in good health, so Gray worked to find him a policy with the same death benefit and 57 percent lower annual premiums. He placed the new policy in an irrevocable trust so that its proceeds would not be part of his taxable estate. This revised ownership structure could save the family millions of dollars in estate taxes.

About 87 million U.S. households own some form of life insurance. Some households own more than one product or policy, said James Scanlon, senior research director at LIMRA, an insurance and retirement research trade association based in Windsor, Connecticut.

â??However, too few policies are being analyzed to make sure that the insurance matches the policyholderâ??s needs,â?• said Mike Molewski, CFPÂ®, principal and financial advisor at CAPTRUSTâ??s Strategic Advisor Group in Bethlehem, Pennsylvania. â??When a professional advisor conducts a thorough life insurance review, clients often reap substantial benefits.â?•

---

A review may be a necessity. Primarily because of the current low-interest-rate environment, many life insurers are being squeezed financially. As a result, some policyholders are facing the possibility of having to pay more out of pocket for their coverage or run the risk of having the coverage lapse â?? even though they have been paying premiums as scheduled for many years. Often, they must make difficult choices about what to do next.

**Need to Monitor**

Have you reviewed your policies lately? Does your life insurance portfolio match your current needs? And do you need other types of life insurance as you near retirement â?? or during your retirement?

Whether you are working or retired, you should not ignore your life insurance. â??There are many people who do not understand what they own,â?• says Molewski.

â??Your needs change as your life progresses, and your life insurance coverage must keep pace,â?• Gray said. Market conditions change, too, which could affect a life insurance policyâ??s performance and viability.

Life insurance â??should be managed, just like any other investment,â?• Gray said. It also needs to be examined as one element of a personâ??s broader wealth plan, he indicated.

â??Often, insurance agents sell you a policy and are never heard from again,â?• Gray said. At the same time, policyholders are often busy people â?? engaged with their work, families, and lives â?? â??and may not have paid any attention to it at all,â?• he said.

There has been a 26 percentage-point increase in the proportion of insured households that want to have a life insurance review, said LIMRAâ??s Scanlon. â??Thatâ??s just a huge change,â?• one that is consistent across demographic groups, regardless of age, income, and marital status, he said.

Molewski recalled an attorney who had a life insurance policy with $2 million of coverage. But there was not enough cash value built up to support the policy past the attorneyâ??s life expectancy, he said.

The attorney wanted his life insurance to last longer, and he didnâ??t want to pay any more premiums. Molewski recommended reducing the death benefit to $1.5 million, a move that extended his coverage through age 115 â?? with no additional premiums needed. The existing cash value was enough to cover the entire cost.

**Insurance Amount**

â??Among the issues to consider when it comes to life insurance is whether one has the correct amount of insurance, the correct type of insurance, and is paying the proper amount of premium,â?• Molewski said. Of these, â??Having the correct amount of insurance is the most important consideration.â?•

Determining insurance needs varies by insurance professional and by insurance company, he said. As a general rule, he said, â??We see five to ten times a professionalâ??s income as a starting point.â?• But other factors matter too, such as family size and financial resources. No single rule of

thumb can take into account all the variables.

A professional with a young family may have the greatest need for replacing lost income, as well as for providing for a college education for children, taking care of a spouse, paying off a mortgage, and creating a fund for emergencies, Molewski said.

Molewski knows of a 39-year-old woman who died last year, leaving two young children. Fortunately, the couple had life insurance coverage on each spouse. As a consequence, the death benefit gave her husband the ability to take an extended leave of absence from his company to arrange proper family counseling and make childcare arrangements. â??It was extremely sad â?¦ but reassuring to be able to go on and not have to deal with the financial hardship caused by the death of a loved one,â?• Molewski said.

**Needs Evolve**

Term insurance provides coverage for a limited amount of time. Other types of policies, called permanent life insurance, generally provide lifetime coverage. These policies include an investment component that builds up over time as the policyâ??s cash value. Such a policy may be better suited for an older professional, or a business owner, with substantial assets, Molewski said. The net cost of such a policy over time can be lower than term for most of these individuals.

For example, permanent life can provide the financial wherewithal for principals in a business to buy out the interest of a deceased partner, Gray said. It can also allow you to leave a legacy to loved ones in an amount far beyond the value of your assets.

For successful people who have accumulated substantial wealth, life insurance can provide a means of preserving and protecting family wealth over multiple generations. â??It can also help provide needed liquidity to pay any death taxes that may be due, allowing heirs to keep a closely held business intact,â?• Gray said.

**Different Types of Policies**

â??There are different types of life insurance products for different needs,â?• Molewski said. â??Selecting the right type depends on factors, including oneâ??s risk tolerance and comfort participating in the ups and downs of investment returns within the insurance product.â?•

For example, a universal life insurance policy featuring a no-lapse guarantee may best suit someone who wants the least amount of risk. Assuming the person pays all the premiums when due, the policy remains in full force until the age of 100 or even 120, Molewski said, and will pay the guaranteed death benefit.

On the other hand, a variable universal life insurance policy may best suit someone who wants to participate in the policyâ??s investment return over time, but who still wants to have the certainty of a death benefit.

With a variable universal life product, the cash value of the policy is credited with investment returns from the policyâ??s underlying investments (called subaccounts) that work much like mutual funds.

**Importance of Review**
â??A review may also show that someone no longer needs life insurance, or perhaps not as much as before,â?• Molewski said. An advisor might recommend adjusting the amount of insurance coverage up or down based on a clientâ??s current or future needs.

As a professional nears retirement and his or her children reach adulthood, the need for coverage may diminish to the point that life insurance may no longer be necessary. At that point, a review may reveal a number of options for the person, Molewski said, such as:

- cashing in the policy and investing its cash value;
- converting the policy into an annuity, which in turn could provide income to the insured; or
- reducing the death benefit and thereby reducing or eliminating future premiums.

**Market Conditions**
A life insurance coverage review may also reveal â??headwinds,â?• Molewski said, such as the following:

- the insurance carrier may be underperforming financially;
- the investment component of the policy may not have the proper asset allocation or investment selections;
- the policy may be underfunded;
- the policy owner may have missed some of the required premium payments; or
- the policy owner may have taken out excessive loans against the policyâ??s cash value.

Some problems have emerged in recent years, mainly as a result of the low-interest-rate environment. Some insurers have sent letters to universal life policyholders informing them that the cost of insurance is increasing. They are telling policyholders that theyâ??ll have to pay higher premiums to keep the amount of their death benefit intact, reduce the amount of their death benefit, or give up the policy altogether â?? in other words, surrender the policy for the amount of its cash value. In response, some policyholders have filed suit against the insurers.

Short of legal action, policyholders should review the terms of their policies and the consequences of any action they may take. For example, reducing the death benefit of a policy could trigger a surrender charge that could wipe out any savings resulting from a reduced death benefit.

**Silver Lining**
A regular life insurance review may also show that the policy owner should take no action. For example, some whole life policies are paying approximately 4 percent on the policyâ??s cash value â?? a high rate, given how low interest rates have been.

Such a policy â??has very low risk and is income tax deferred,â?• Gray said. Still, some policyholders are being talked out of such policies by agents eager to sell them new policies â?? a practice called replacement. â??People often see life insurance as an expense, but donâ??t look on it as an investment,â?• he said.

Overall, â??life insurance may be the most undermanaged asset that most clients own,â?• said Molewski. â??You get an annual statement that can be difficult to read,â?• so the statement and the policy are set aside. â??It goes into that stack of papers and it doesnâ??t get the needed attention.â?•

â??Itâ??s important to measure and monitor the performance of a clientâ??s life insurance portfolio much like we do with their investments. We use a consultative process that often leads to substantial improvements,â?• Molewski said.

Have questions? Need help? Call the CAPTRUST Advice Desk at 800.967.9948, or schedule an appointment with a retirement counselor today.

---

**Legal Notice**
This document is intended to be informational only. CAPTRUST does not render legal, accounting, or tax advice. Please consult the appropriate legal, accounting, or tax advisor if you require such advice. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The information and statistics in this report are from sources believed to be reliable but are not warranted by CAPTRUST Financial Advisors to be accurate or complete. All publication rights reserved. None of the material in this publication may be reproduced in any form without the express written permission of CAPTRUST: 919.870.6822.

Â© 2026 CAPTRUST Financial Advisors