

# *J* Leif Jensen and Associates

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Solutions Based Consulting & Certified Public Accounting Firm



We wish you all a Happy Holidays and a Prosperous New Year!

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## Life Insurance

Life insurance is a great tool for leveraging the future need to take care of someone.

Do you have or believe in life insurance? Years ago, I was not a fan and didn't see the philosophy. Then when I worked as a financial planner and compliance for a group of financial advisors, I was taught and saw the benefits at work.



Life Insurance is one of the tools that the wealthy utilize to maximize wealth transfer and ensure the family wealth reserves for their future.

Imagine that you want to leave a charity a large sum. But, you still want to cover your grandkids college or buy their first home. You only have so much money to spend. But if you buy life insurance, you can leverage your money and possibly do it all.

Years ago, my assistant mentioned that her mother had no money and was not taking care of her health. She was mentioned that her mother's final costs would have to be paid for by her, because the siblings would never kick in.

I suggested she get a life insurance policy on her mother. If she calculated the final costs and added in several years' worth of premiums to get their money back, she could cover the final arrangements and it would ultimately cost her nothing. She really liked the idea, but her mother refused to get the physical for the \$50,000 policy.

If you wanted to buy a \$300,000 house for a grandkid in the future, you may get a \$500,000 policy. This should repay the premiums and have the funds for the home. The net effect on the estate would be zero if the premiums were replenished by the policy coverage, through split beneficiaries.

This is a tool that can give you leverage.

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# Property & Casualty

Are all insurance claims linked to the person or the entity in which they are insuring.... This is the question.

In certain experiences, which you can read about in the blog, there is some interconnection linked to the person.

I learned something new about insurance recently. I am Trustee on a Trust and the Trust owns a piece of property with a home on it. The tenant bypassed me and filed claims with the insurance company in 2017 and 2018. Very small claims, the 2018 had a payout of under \$600.

Since the claims had been filed, I could not call them back, if I tried, they would have been listed as claims, but I would not have received monies to repair the home.

But, because of the claims, the insurance company dropped the policy upon its renewal date.

So, now I was looking for a company to issue a new policy. No insurance company will take the risk on the property. The insurance companies claimed that there were three claims, so the property was toxic.

The third claim was actually on my actual home from a 2018 claim. With a different insurance company, under a different policy and for my home. But since my name was listed in a database under three claims. I am now toxic for insurance companies.

I still don't completely understand how two legal entities: myself and the Trust are joined at the hip with insurance claims. How do my businesses fit into this mix? If there is a tornado that destroys my office will that claims be

ignored because of these other claims. My understanding has been that separate legal entities with separate policies, would be reviewed on a standalone basis...

Apparently, that is not the case. There seems to be a centralized insurance database that keeps track of all claims and if you are named on the policy with a claim you have a strike against you.

Renewals may be interesting...

Do you have a trusted adviser to run these things past? Contact us for more information on how your accountant can help.

## Trust

In simplest terms, a trust is a legal agreement between at least three parties: the trustmaker, the trustee, and one or more beneficiaries. The trustmaker is the individual who creates the trust agreement and is also sometimes referred to as the grantor, trustor, or settlor.

I have a business client who owns a business and has three children. The largest asset the owner has is the business. One child works within the business and the plans are for them to eventually take over the running of it, while the siblings dabble in the business working part time.

The current will has the business passing from the owner to the spouse. After the spouse passes, then the business would get split three ways with each child owning a third. This is not an efficient way to go, if one gets pissed at the others and sells their shares to an outside party, there could be trouble. Even with a minority position, there could be problems or issues with an outside party, they have rights.

To maintain the business as a family-controlled asset, I have recommended that a "Trust" be created. Then at some point the stock of the



business gets titled and transferred to the Trust. The Trust being run by a "Trustee", first the owner, then possibly the spouse, then a trusted individual.

The Trustee then can add or remove Directors from the Board to ensure that proper governance of the business is in place. With the BOD hiring or firing the CEO to ensure proper management of the company is in place.

If the business produces a significant profit, then dividends can be declared and after the Trust expenses are covered the benefits can be passed to the kids for their benefit.

Ensuring that the business is secure and kept for the benefit of the family. While a Trust is not the best vehicle from a tax standpoint, a Trust would meet all of the other desires of the business owner.

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## Idiom of the Month: Sleep tight

**Meaning:** used to tell someone to sleep well

**Origin:** One possible origin of this phrase dates back to when mattresses were supported by ropes; sleeping tight meant sleeping with the ropes pulled tight, which would provide a well-sprung bed.



## Happy New Year

May the year 2020 bring you a fresh start, new aspirations, and inspiring successes. Walk with grace and achieve greater heights.

Thank you for your continued support.

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