The LEAP Letter

Lifetime Economic Acceleration Process

Why You Should Consider Whole Life Insurance as Part of Your College Funding Strategy

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College tuitions are rising and becoming a major expense for most families. There are many financial vehicles available in the marketplace to help parents with college costs. However, there is one such financial vehicle that is often overlooked. Many professionals advocate the use of a whole life insurance policy as part of their overall strategy for college planning.

Whole life insurance is the strategy that can make funds available for college whether you live, die, become disabled, and may even protect such funds against suit. If you become permanently disabled, the whole life policy premiums will be paid by the insurance company under an optional waiver of premium rider. This means that while you are disabled, the policy continues to build guaranteed cash values and earns non-guaranteed dividends assuring that in the future you will have cash values available toward your children's college education costs even if your death benefit needs decline.

A whole life insurance policy generally pays an income tax-free death benefit to your beneficiaries if you were to die. Provided an adequate amount of life insurance is purchased, the death benefit dollars would meet your projected college tuition costs for all of your children.

An important third feature other than death or disability benefits of a whole life policy is its protection in the event of a liability lawsuit. In most states and provinces, the accumulated cash values and dividends of a whole life insurance policy are exempt from the claims of creditors. As such, if these were to be used as part of your college funding strategy, your children's education money would be protected in the event of such a lawsuit. Check with your legal advisor to see what protections your state or province offers under law to owners of these policies.

Another advantage of a whole life policy is that the policy's accumulated cash value and dividends are exempt from assets when applying for college financial aid. That means that if college aid is available to your children, these cash values and dividends will not reduce the amount of the financial award. Whole life insurance is not counted against financial aid awards no matter how much money you have accumulated or built in the policy.

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What if you do not die prematurely, become disabled, get sued, or need financial aid? How does a whole life insurance policy fare as part of your college funding strategy? Say you have two children with projected college costs of $250,000 and you are age 48 when these costs come due. These expenses represent a lost opportunity for you to build additional wealth for your retirement. In a traditional approach to college funding, the college costs cannot be recaptured or minimized since there is no strategy to recover these expenses.

Few people understand the opportunity cost of college funding because they are so focused on the admirable goal of their children's education. They tend to ignore the efficient and effective use of their hard earned money.

One of the keys to sound planning for college funding is not to relinquish all of your assets in order to fund your children's college education costs. Instead, an efficient and effective strategy is to simultaneously take advantage of every possible aid program, tax assistance, leverage, and cash flow strategy available to fund college education costs that allow you to not lose your own wealth building potential.

A well-designed college funding strategy could include whole life insurance combined with other assets, college funding vehicles, and income tax considerations. This may be the only way you are able to provide benefits whether you live, die, become disabled, get sued, acquire financial aid, or need to recapture lost opportunities to build additional retirement income. Your insurance or

financial professional will be happy to show you these coordinated strategies and review them with you in order for you to determine if this approach is an appropriate alternative for your specific situation.