Brought to you by Edward A. O'Keefe, CLU, ChFC, CASL

KNIGHTS OF COLUMBUS

Financial Beacon

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Whole Life and Planned Giving

WHOLE LIFE for your "WHOLE LIFE"

Keeping FAMILY in the FAMILY-OWNED BUSINESS part two

A MESSAGE from your agent

Dear Brother Knight:

We all understand that the primary purpose of life insurance is to provide for your family when you're no longer there to do so. But, did you know your life insurance policy could be structured to make a donation to a favorite charity, your parish, or other mission to which you're committed?

In this issue, we look at "designing" a whole life policy, and charitable giving may be part of your design. Using life insurance to make a donation can work along with your plans for other beneficiaries. It can be a way to leave a legacy of lasting importance, beyond what you may have been able to do in life.

A donation of life insurance can be set up several ways, depending on your means and goals. Whether it's an irrevocable gift of a paid-up policy, or a contingent benefit with annual premiums paid by you or the charity, it's important for you to know your options and the tax implications, among other details. Some charities are well versed in planned giving strategies, while others are not.

As your agent, and fellow Knight, I can help you structure a whole life policy to meet your goals for planned giving. If we haven't, let's sit down soon to discuss and update your plans.

Fraternally yours,

Edward O'Keefe

Designing a Whole Life policy, for your "whole life"

Whole life insurance offers financial security for your loved ones and builds cash value along the way; and it has tax advantages not available anywhere else. Your policy can be designed to serve your specific needs and goals, and change as your life changes.

Young and on a budget

When you're young, the need for coverage is of primary importance. But, it's also the time you may be least able to afford a premium. Many opt for a term life policy. But when the term ends there's neither cash value nor death benefit.

You don't have to sacrifice the permanent financial security for the sake of the premium. Consider an entry-level permanent plan, such as Graded Premium Whole Life. This plan was designed with you in mind: a lower initial premium, and then gradual increases in years 6, 11, 16, and 21 (or until age 76); all the while, your death benefit remains level, your coverage remains permanent, and your policy builds its cash value.

Alternatively, you could choose a standard whole life policy with one of many payment modes. Select a 10- or 20-Pay Whole Life, and pay premiums for only 10 or 20 years with a level, guaranteed premium. The Paid-Up at 65 or 100 options have a guaranteed premium as well, paid-up on your 65th or 100th birthday. In all cases, your benefit is guaranteed, and once paid-up remains guaranteed for life.

Another way to get started without having to go "all-in" is to add the Guaranteed Purchase Option rider, which allows you to purchase additional insurance at specific points without having to re-qualify medically.

Life in transition: your middle years

Helping with children's college tuition or assisting aging parents can be significant short-term expenses. There again whole life insurance can help. You can take a loan from your whole life policy or use it's cash value as collateral on a conventional loan.

On the other hand, if you find yourself with excess funds perhaps because of an inheritance or a bonus, put your money to work in a Single-Premium Whole Life (SPWL) policy. One payment can fund a permanent life insurance policy and begin to grow additional cash value on a tax-favored basis.

Looking toward retirement

With the children grown and the mortgage paid, a whole life policy is one place to put freed-up cash. It's safe, secure, and tax advantaged. Dividends (though not guaranteed) can increase cash value; these gains are tax-free because they're considered a return of premiums.

By retirement, a whole life policy you've kept in force may have grown to be a significant asset. When determining your need for retirement income, your policy can be counted on to handle unexpected expenses, or, with careful planning, be a secure part of your retirement income stream.

Estate planning

Depending on the size of your estate, there may or may not be significant taxes to be paid, but there will almost certainly be expenses. Upon your death, the benefit from your whole life policy is tax-free, liquid, and paid almost immediately to beneficiaries. This can provide your loved ones with the means to comfortably sort out the remainder of your estate.

Right at any age

It's rarely too soon or too late to add whole life insurance to your portfolio. Please contact me to discuss a policy design that's right for you—for your whole life. ✦

Keeping "family" in the family-owned business (part 2 of a 2-part series)

If you've spent a lifetime building a business, or you've carried on a business left to you, it may be your goal to keep it in the family. No matter what, involve your family in your plans. They can help you, and will benefit from knowing what you have in mind.

In part one of this series we looked at selling a business to family, and this time we look at giving/gifting your business.

THE TRANSFER

There are many ways of transferring ownership of a family business. The transfer can:

- involve a combination of gifting and selling
- be implemented all at once or over time
- take effect now, at a designated date in the future, or in conjunction with a future trigger event.

THE VALUATION

In many cases, the value of your gifts may be eligible for valuation discounts based on factors such as lack of marketability and lack of control, and thus could be worth less than their apparent value for gift tax purposes. Your accountant or estate planner can evaluate these specifics based on your circumstances.

If you're ready, you can make a direct gift to your children of all or part of the business now. The biggest advantage to acting sooner rather than later is that any future appreciation in the value of the business will not be part of your estate when you die.

Be aware that your children's tax basis in the business will be the same as yours, not a stepped-up basis, but with proper planning you can provide for the tax liability.

USE OF TRUSTS

Instead of making a direct gift, many owners give the business to a trust, which has some advantages. For one thing, a trust protects the children's interests from creditors.

With a living trust, you are able to transfer ownership of your business without transferring management control until you decide the time is right. Since the trust owns your share of the business, the assets will not be subject to normal probate proceedings after your death.

A Grantor Retained Annuity Trust (GRAT) or a Grantor Retained Unitrust (GRUT), two irrevocable trusts, allow you to continue to receive an income stream for a set period of time. In either case, the trust terminates and the assets in the trust pass to your children at the end of the payment period (or upon your death if that occurs first, but some of the benefits are lost if this happens).

If you also fund an Irrevocable Life Insurance Trust (ILIT) for the benefit of your children, they can use the life insurance proceeds to pay any estate taxes that are due.

THE BENEFICIARIES

Most parents want to treat all of their children equally (this is known as estate equalization). This might not mean "identically" because in many families not all of the children have the same interest in, or aptitude for owning or participating in the family business.

For example, if two of three children want to take over the business, you might purchase a life insurance policy that names the third child as the beneficiary so that you are gifting equal amounts to all three children and avoiding the need for the two active children to purchase the interest of the third child.

Please call if you'd like to discuss the best strategy for your unique family situation, and whether life insurance may be a helpful component in your estate and business succession plans. ✦

This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on, for tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

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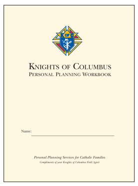

The document your family will be glad you left behind

In one place, you can assemble all the information your family would need to take care of basic financial matters in your absence. Your complimentary Knights of Columbus Personal Planning Workbook helps you compile details about key contacts (attorneys, insurance agents, etc.), financial accounts, bills, passwords, the location of important documents, and more.

Contact me today for your complimentary Workbook.

Contact me today for information on long-term care insurance

Ed O'Keefe, CLU, ChFC, CASL

Ed O'Keefe is a Chartered Financial Consultant serving 9 councils in Baltimore, Cecil, and Harford Counties. He lives in Baltimore County with his wife Mary Anne and daughter Mallory.

O'Keefe joined the Knights of Columbus in 1992 and is a member of the Supreme Knight's club and is a life time member of MDRT, the Million Dollar Round Table. Ed and his family are parishioner's at St. Ursula's Church and have been active in the outreach programs for the elderly, Our Daily Bread, and Meals on Wheels.

The O'Keefe's are members of the ARC of Northern Maryland and the Chesapeake Down Syndrome Parent's support Group. Ed's Catholic Financial Planning Practice has been featured in The Columbia Magazine and his client's mention his willingness to take the time to explain all available options, so that they can make an informed decision. He works with Catholic families and businesses to develop plans for their insurance and retirement needs.

This successful approach has not only helped Ed to qualify as a life time member for MDRT and the Supreme Knight's Club, but also to be named seven times the Advisor of the Year for the state of Maryland and the third ranked advisor for the Knights of Columbus in the United States. Ed's other notable business and Fraternal qualifications include: B.S. in Business and Marketing from Towson University, earned the Chartered Advisor for Senior Living (CASL) designation in 2005, earned the Chartered Financial Consultant (ChFC) in 2000, earned the Chartered Life Underwriter (CLU) designation in 1997; took the Fourth degree of the Order in 1993 and is a member of Corpus Christi Council 6188.