

# Financial Foresight

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## Life Settlements

Often times I will see clients that have purchased a whole or universal life policy. These policies offer insurance for life with a savings element built into it. My biggest concern with these policies is that most clients end up under insured. It is often too expensive for many clients to purchase an adequate amount of whole life insurance. (It is far too risky to be under insured if a client has dependents, debt, and relies on his/her income to pay the bills.) Clients will also pay way too much in commissions and fees for the promise of growth of the cash value, and to have permanent insurance. For most clients initially considering life insurance, I usually suggest term life insurance. This type of policy covers you for a limited time usually ten or twenty years with no savings plan. There is also a much lower fee per dollar of insurance coverage.

For those clients who have already purchased whole and universal life policies (permanent policies), I am often faced with a difficult decision: What should I recommend to the client? Should the client keep paying the premiums to maintain the policy or let it lapse and withdraw the cash value? The best answer may be none of the above.

It may be in the client's best interest to sell the policy to someone else for more than the cash value. This is referred to as a Life Settlement. If you currently own a permanent life policy and you no longer need the life insurance, are tired of paying the monthly premiums, or need the cash, you might consider a Life Settlement

Choosing a Life Settlement means you would sell your policy to a third party for more than the cash value but less than the face value of the policy. The cash is yours

to invest, pay debt, etc. The buyer of your policy (generally an institution) then takes over the payments and receives a return on investment upon the insured's death. For example, you might have a \$250,000 permanent insurance policy which you purchased 15 years ago when your kids were still at home and you had a mortgage. Over these 15 years, you paid premiums totaling \$30,000 and your policy has a cash value of \$25,000. If you called the insurance company today to cancel your policy you would receive a check for \$25,000. Depending on your age and health, your policy could potentially sell for more than \$25,000.

### Do I Need the Insurance?

The first question that should be asked before you decide to buy or sell any insurance policy is: Do I need the insurance? If the answer is "yes" then you need to clarify the following:

- How much insurance do you need?
- How long will you need the policy?
- What can I afford?
- What are the tax benefits or possible returns compared to alternative investment options?
- What is your health and will that affect your ability to qualify for new insurance?
- Is the insurance company well rated?

Characteristics of an ideal candidate for a Life Settlement:

- Over age 65
- His/her health has declined since the policy was issued
- Owns a life insurance policy with at least a \$100,000 face amount
- Has a whole life, universal life or convertible term policy

If you or someone you know would like to discuss your life insurance options please feel free to contact Dempsey Investment Management. A Life Settlement might be your answer.

## How Does the Vermont Real Estate Market Compare to the National Real Estate Market?

By Robert Stuart

In September I attended a continuing education course for Realtors. There were a number of important topics discussed including the health of the Vermont Real Estate Market. The media has been full of stories about the Real Estate "bubble" and the Sub Prime Lending Crisis. Are we affected in Vermont?

Vermont Real Estate is more stable, moving

at its own pace when compared to other areas of the country. There are several factors that have enabled our market to be insulated from the swings we see in other areas of the country.

Vermont's different rules, regulations and restrictions on building which are in place, have tended to discourage the large speculator builders. This has limited our supply of available housing. A large percentage of the purchasers are people who have discretionary money available to them and are buying second homes, their dream homes, which are more expensive

than a basic home. While giving stability to the market, it does boost the average price. In a recent article in the AARP Magazine, Vermont is now on the radar screen as a desirable place to retire as the number of Baby Boomers is starting to swell. The Baby Boomer population is retiring with the largest amount of cash any segment of our population has ever had.

We have all heard of the Sub Prime Lending Crunch. The Sub Prime Market is a very small segment of the home mortgage market making up only 9 % of the total mortgage market nationally. The experts

are forecasting that as many as half of the Sub Prime Loans will fall into foreclosure. Vermont's exposure to this problem is limited because we rank last of all the states in the number of Sub Prime Loans written.

Nationally there has been a 1.7% decrease in the value of homes. In Vermont, however, for the first 6 months of this year, the median

price of a single family home has increased 7%. Last year from January to August, 777 single family homes and condos were sold in Chittenden County. This year 969 were sold in the same time frame.

The inventory has increased, market activity remains strong and interest rates are still low. Nationally the industry is expecting a stronger market in 2008. The slow release

of pent-up demand and the last interest rate adjustment the Federal Reserve made will slow the number of foreclosures and keep real estate affordable.

I would enjoy discussing your real estate needs and desires. I can be reached at Chenette Real Estate. My number is (802)-264-1887 or e-mail [buyIhome@gmail.com](mailto:buyIhome@gmail.com).

## 6 Steps to Making the Most Out of Your Retirement

By Heather Finley, Ph.D.

Have you traveled to Someday Isle lately? In your younger years, did you tell yourself you would wait until you were retired to \_\_\_\_\_ (fill in the blank with travel, learn a new hobby, volunteer, spend more time on the golf course, etc...)? A colleague of mine talks often about the island trip many of us make every day-- but this trip doesn't include beaches or drinks with tiny, brightly-colored umbrellas. The trip we take involves a strange time warp of being stuck in the present while longing for the future while we say "Someday I'll \_\_\_\_\_" (fill in the blank).

If you no longer travel to Someday Isle, congratulations! You have done well and probably feel very satisfied in your life. If you travel to that Isle more often than you'd like, this is a fantastic time to make a change. You've probably heard Einstein's definition of insanity: doing the same thing over and over again, and expecting different results. When I work with clients, I help them replace attitudes and behaviors keeping them stuck with attitudes and behaviors consistent with their goals. If you follow these steps, you are much more likely to do what you have wanted to do since you retired (and before!).

**Step One:** Get clear about what your ideal life would look like 3 to 5 years down the road. Without that vision, it is too easy to fall into a routine that fills the time. Before

you know it, a year has passed, or 10 years! As you speed along your life's trajectory, with what seems like ever-increasing speed, what is your destination? What is your purpose? Do your attitude and behaviors reflect that purpose?

**Step Two:** Explore the different areas of your life to identify where you feel content and where you feel the most "pain." As you assess your situation, you may find that you are financially secure, but you feel extremely lonely. In that case, the social and family areas of your life need the most attention and the most change (assuming you don't want to feel lonely!).

**Step Three:** Choose the top 1 to 3 areas of your life that you want to be different and descriptively write out a 3 to 5 year vision. Describe the visual details, list the different sounds you hear, and include all your senses. As you imagine that scene, notice the feelings you have or can imagine having if that were to come true.

**Step Four:** For each area of your life that you want to change, identify all the obstacles that stand in the way. For example, if you always wanted to travel in retirement but haven't done so yet, list every reason you can think of that prevents you from doing so. Do you have outstanding debt? Are you supporting one or more of your adult children financially? Are you reluctant to leave your friends and family for an extended period of time? Are you afraid of flying?

**Step Five:** Create a list of possible solutions

for each obstacle. Sometimes the solutions are crystal clear (for example, you may decide to downsize or charge rent to an adult child living with you). Sometimes the solutions require some creative thinking that can begin to bring you out of your comfort zone.

**Step Six:** Take action on the solutions you have generated. Remember what Einstein said about insanity! This step absolutely requires moving outside of your comfort zone. Determine what you need to help you consistently take steps toward the solutions you have generated. Do you need someone to help you transition into this new comfort zone? As you begin to successfully overcome these obstacles, you will find yourself feeling more satisfied and closer to living the life you imagined. This is the step that, repeated with persistence, will get you out of Someday Isle.

It's never too late to make changes. In fact, change occurs whether we like it or not. Why not bring in some intentional change into your life and make the most out of your retirement?

©Heather Finley, Ph.D., *Balancing Changes*, 2007. Dr. Heather Finley, Licensed Psychologist-Doctorate, is a performance coach who specializes in helping people experience more satisfying, fulfilling lives. She offers individual coaching and "Go for the Goals" groups. Her next group is forming in October 2007. For more information, please call 802.734.0486 or email [heather@balancingchanges.com](mailto:heather@balancingchanges.com)