What Do Sammy Davis & Kenneth Lay Have In Common?

This month I have been reading "The Pirates of Manhattan" over again. I found more amazing information that I want to share with you.

Few people, including planners, are aware of the fact that life insurance cash values and death benefits are exempt from the claims of creditors. In fact, this includes the I.R.S.!!! This means that no one can get their hands on life insurance money other than the owner of the policy or the beneficiary. By law, in most states, beneficiaries must receive the money and not a creditor of the insured or owner.

In this day and age, something like this sounds almost too good to be true, doesn't it?

Sammy Davis and Kenneth Lay are two great examples of how this law works.

When Sammy Davis died in 1997 he had accumulated over $7.5 million in debt to the I.R.S. The I.R.S. had seized his home and most of his property. None of the bequests in his will were able to be funded because of the situation. However, his family received every penny of his life insurance death benefit and NOT the I.R.S.

How many times have you ever seen the I.R.S. come away empty handed?

Maybe the best example is our friend from Enron, Mr. Kenneth Lay. When he was riding high, he bought $11,900,000 of life insurance and $4,000,000 of annuities. His wife, Linda, was his beneficiary on both. When Mr. Lay died last July, he had $9.5 million in assets and $9.5 million in liabilities. However, his wife still got the money from the life insurance. The only catch was that Enron was the beneficiary to the tune of the $1.25 million of initial premium money loaned to him to start the plan. The bankruptcy court will figure out who gets the loan repayment money. When the annuities mature later this year, Mrs. Lay will get every penny of that money.

Believe me, I am not a fan of Kenneth Lay and his wife. However, they sure got some excellent advice about how to guarantee their financial security against any financial storm.

My only hope is that I can help as many of you good people as possible avail yourselves of the same tools and techniques that were used in these cases.

You can protect assets from those bottom feeding lawyers and other parasites that try to feed on those of us who save money and accumulate assets. It's no wonder that the rich and the large corporations own billions of dollars in cash value life insurance. They know the score.

This is too good to be true. There has got to be a catch somewhere, right?

The I.R.S. has actually put limits on how much cash value a whole life insurance policy can have and still qualify for all the tax benefits.

Think about it. Isn't this their way of telling you that this is a great deal?

However, not even the I.R.S. can put a limit on how much life insurance we buy or how many policies we own.

By setting the limits on cash values, the I.R.S. thinks they have done enough to discourage you from owning a lot of whole life insurance. Why? The net result of these rules is that a policy will not show a cash value equal to total premiums paid for about a number of years, normally about 7.

Only the people in the know will not be turned off by this.

This is where I get to my other point, **DIVIDENDS**. There are actually life insurance companies out there that are owned by the policy owners instead of fat cat investors who buy and sell stock on Wall St.

The great thing about dividends is that they are paid on a scale. This means that the longer someone owns a policy, the larger share of the company's profits they are entitled to. This comes in the form of larger dividends. After all, these long time policy owners have paid more money into the company by paying premiums longer. Why shouldn't they get more? This is on top of guaranteed increases in cash value every year.

I have personally seen dividend paying policies with annual dividends higher than the annual premiums and sometimes even multiples of the annual premium payment!

I challenge you to find anything like this anywhere else in banking or finance.

See you in September…

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