

MORE QUESTIONS AND ANSWERS

How do I avoid paying interest to others when in fact - the life insurance company charges me interest?

All the life insurance companies we use for BOY plans are policy owner owned. This means that the profits of the insurance company are divided up among the policy owners in the form of annual dividends paid on the policy anniversary.

Policy loan interest paid to the insurance company becomes part of the overall profits of the insurance company. Paying interest to the life insurance company comes back to the policy owner as part of their annual dividend payment.

Lafayette Life told us at the BOY National Conference last week that they paid out about 80% of their total profits to policy owners in the form of annual dividends this past year. The other 20% was put into various cash reserve accounts to make sure Lafayette can handle any unexpected expenses or financial setbacks that may come up in the future.

If the insurance company did not charge you interest on policy loans they would not be able to pay you the exact same dividend regardless of whether or not you had outstanding policy loans. Their profits would decrease and those people with loans would have an unfair advantage over those without loans.

Policy loans are made from the general reserves of the insurance company using your cash value as collateral against the loan. An insurance company will loan you at least 80% of your cash value. They will not go up to 100% because they want some money in reserve to handle any unpaid loan interest.

You are not required to pay loan interest and repay loans on any set schedule. Actually there is no requirement to pay any loan interest or principal at all.

Keeping some of the cash value available is a prudent policy on the part of the insurance company to help policy owners who are unable to pay interest or principal keep their plans going for as long as possible.

I hope this helps you better understand the “ins” and “outs” of policy loans.

The more you understand about how BOY works; the better off it is for everyone. I do not mind taking time to help people get the additional information they want and need to feel better about doing BOY. The people who ask the most questions and want ongoing education about BOY seem to be the same people who do the most with BOY, so it is certainly worth my while to help you.

DO YOU WANT TO FOLLOW UP ON THIS QUESTION OR ASK NEW ONES?

You can email me your question(s) at alan@thefinancefixer.com or call the office at (860) 496-1941 to get your question(s) answered!

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