

Grandparents and Grandchildren: A Match Made in Heaven



To say that grandparents and grandchildren have a special relationship would be an understatement in many cases. Today's grandparents would like to assist in smoothing life's path for their grandchildren. This desire is nothing new. In the past, grandparents left the family business or the family farm as a legacy. In today's culture, the number of family farms is fading and the grandchildren are choosing options other than the family business.

How does the grandparent help? Some may consider a life insurance policy. This is an excellent source of funds for college, a down payment on a home, or, in other words, funds to provide the grandchild with a good start in life. The problem is

that most young people do not have the maturity to manage a lump sum windfall. The money may go as quickly as it came.

The traditional answer to this dilemma is the life insurance trust with the grandparent the grantor/insured. Here, the trust spells out to whom, when and how the proceeds will be distributed. Of course, there is an initial cost to draft the trust and other expenses to the trustee(s) to administer the trust. For those with the resources, who are leaving a large legacy, this may be the better choice.

However, what does the grandparent who does not want to deal with setting up a trust, selecting a trustee and following up with the annual administration required while living do?



Security Mutual Life Insurance Company of New York has a product that will provide many grandparents with an alternative. This is a term product that provides a monthly benefit in lieu of a lump sum payment. In fact, lump sum payments are not permitted from this policy.

This product provides flexibility to the insured. The grandparent/insured chooses the amount of monthly income they want the grandchild to receive and the duration of the income payments. The payments are made automatically each month to the beneficiary(ies) following the death of the insured. The need for a trustee for administration is eliminated.

An additional feature is that the tax law makes it easier for the grandparent to own the policy without a major concern regarding federal estate taxes. This means that the grandparent retains the right to change the beneficiary at any time if circumstances change. As we know, grandchildren don't always follow the path we would wish for them.

Because this is a term policy, the costs are low enough that the grandparent may choose to provide additional options for the grandchild in the form of a savings plan, or direct payments to a college of choice, etc. Flexibility is the key word with this plan.

Contact your local Security Mutual life insurance advisor today to coordinate your financial plans and help achieve your goals and objectives.

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Policy Form Nos. 2107-NY, 2107-C-NY

0012748XX 09/2018