



Brought to you by Todd Minard, PGK, FICF

KNIGHTS OF COLUMBUS

Financial Beacon

Spring 2016

**Why Insurance
Ratings Matter**

Keeping **FAMILY**
in the
**FAMILY-OWNED
BUSINESS**

INCOME ARMOR
Disability Income Rider Q & A

**Long-term Care Coverage:
The COST of WAITING**



A MESSAGE from your agent

Dear Brother Knight:

The 2008 economic collapse and recession, and the ensuing near-zero interest rate environment were difficult for many companies. They were especially difficult on the insurance industry, so it's more important than ever to pay attention to financial strength ratings published by A.M. Best, one of the nation's leading independent ratings agencies.

Although overall industry ratings were trending negative in the first half of 2015, Knights of Columbus Insurance once again earned the highest possible rating for financial strength: A++ (Superior). 2015 was, in fact, the 40th consecutive year that the Knights of Columbus earned A.M. Best's highest rating.

"Through conservative management, active fraternalism and high-quality insurance products, the fraternal society has grown to a multi-billion dollar international insurance organization," A.M. Best said of the Knights of Columbus.

This A++ rating means peace of mind for the Knights of Columbus families we insure, and what could be more important than that?

You can trust too that we will continue to stay true to our Catholic values and follow strict investment guidelines. I welcome your phone call with questions on our portfolio of products and the ways they can provide financial security for your loved ones.

Fraternally yours,

Todd Minard

Coverage designed to change with you

Q & A on Disability Income riders

It's human nature for people to procrastinate thinking about lost income due to injury or illness—which is probably why almost 70 percent of privately insured workers don't have Disability Income (DI) insurance coverage.* But if you do already have DI insurance such as Knights of Columbus Income Armor, give yourself a pat on the back—just don't stop there. As life changes, and your income increases, so may the type and amount of coverage you need.

In addition to the basic coverage Income Armor provides, we can customize additional coverage that can be added to your policy.

Q. I have group coverage at work—what's the difference?

A. If you have group coverage, remember that it is generally taxable income, whereas Knights of Columbus Income Armor is tax free income, since it is paid directly by the insured; and it's also portable if you change jobs.

Q. Can I add coverage to a current policy—or can I have more than one?

A. We recognize that your circumstances may change—and Income Armor DI riders are a great way for you to change your coverage to better meet all aspects of your current and future insurance needs.

Q. I'm concerned that if my health declines I won't be able to increase my DI insurance in the future.

A. Don't worry. With the Guaranteed Purchase Option (GPO) rider you can increase your monthly benefit at a later date—without a medical exam or evidence of insurability.

Q. What if I become cognitively impaired or permanently disabled?

A. You could benefit from the Catastrophic Disability rider. If you were suddenly faced with a severe disability and were no longer able to perform two or more activities of daily



living, such as bathing or dressing, the CD rider would provide monthly benefits to help you pay for long-term care, in addition to your initial disability income insurance benefit.

Q. I'm worried about the future cost of living expenses if my disability is long-term and my monthly payments aren't enough to keep up.

A. The Cost of Living Adjustment Rider could help. If your disability is expected to last longer than 12 months, the COLA rider would adjust your monthly benefits to keep pace with inflation. The amount is based on the Consumer Price Index.

Q. I've read that Social Security disability benefits can take a long time to be approved. What do I do in the meantime?

A. Correct, sometimes as much as two to three years. Our Social Insurance rider can take the worry out of waiting, as well as help you get the most out of your benefits; and if you are approved for SSDI, the SI rider will pay you monthly benefits if you're totally disabled—minus any benefits that you may get from the government or a worker's compensation plan.

So take a good look at your specific needs when it comes to disability income protection. And if you have any questions about DI insurance or the riders that may be right for you, I'm here to help. ♦

* LIFE® (lifehappens.org) at <https://static.nationwide.com/static/neb-life-what-you-need-to-know-about-disability-insurance.pdf>

Keeping “family” in the family-owned business (part 1 of a 2-part series)



While wills are commonly used to distribute assets among loved ones, this is rarely the most effective way for a business owner to transfer ownership. With a will, your business is subject to the normal probate process and your heirs may be obligated to pay a significant state inheritance tax or federal estate (or “death”) tax. Few family businesses have the “cash on hand” to cover this, so often heirs are forced to choose between selling all or part of the business, or taking out large loans. Also, this type of abrupt transition can be disruptive to both business operations and family harmony, so a more gradual approach is more likely to be successful.

To complicate matters further, balancing the financial (wealth) goals of estate planning with the management (power) goals of business succession planning can feel like walking a tightrope. For example,

you may be ready to start transferring ownership of your business long before you are ready to hand over responsibility for running the business. The good news is that there are many creative solutions available; the earlier you begin to plan, the more options you will have.

The various ways to pass on your family business can involve combinations of gifting and selling, can be implemented all at once or over time, and can take effect now, at a designated date in the future, or in conjunction with a trigger event in the future. In this first of a 2-part series, we’ll review the options for selling your business to your children. (Part 2 will cover various ways to give/gift your business to your children.)

SELL NOW

If you’re ready to relinquish control and you need income from the sale, the simplest method is to sell the business at full fair market value; this will avoid gift and estate taxes, but you may owe capital gains taxes. Practically speaking, it’s rare for the younger generation to have the liquid assets required to purchase the business outright at fair market value.

SELL IN INSTALLMENTS

You could sell the business in installments using a promissory note, allowing children to make payments using income from operation of the

business. A variation on this is a self-cancelling installment note (SCIN), under which future payments are cancelled upon your death. If an SCIN carries an interest rate- or purchase price-premium it is usually possible to avoid gift taxes. A private annuity is similar in that your children agree to make periodic payments to you for the duration of your life. Life insurance can be used to make the annuity payments should heirs predecease you.

SELL IN THE FUTURE

To sell your business in the future, a buy-sell agreement is a legal contract that prearranges the sale, and terms, to coincide with a specific event. In many cases, the trigger event is death, and life insurance proceeds (with your children as beneficiaries) can be used to fund the purchase at the agreed-upon price. If you are married and the sale is set to occur when your spouse’s death occurs, then a Survivorship (or “2nd-to-die”) life insurance policy could fund the purchase. There is a unique solution for every family, but a candid discussion is always a great starting point. ♦ *Watch for part 2, in the Summer issue of your Financial Beacon.*


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.

YOUR AGENT



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Family benefits & services

Knights of Columbus consistently ranks at the top of the industry in financial stability and ethics. Please call to discuss these services:

- Financial needs analysis
- Life insurance
- Tax deferred fixed-rate annuities
- Long-term care insurance
- Retirement account rollovers
- Estate preservation
- Scholarships
- Family fraternal benefits
- Disability Insurance

Contact me today for information on long-term care insurance



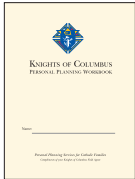
KNIGHTS OF COLUMBUS Financial Beacon

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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

Taking the long view on long-term care the cost of waiting

Looking ahead to the future, none of us want to be financially dependent on our children, but without careful planning and preparation this could easily happen to you. The combination of longer average life spans and the increasing cost of nursing home care means the odds of asset depletion are also on the rise. Fortunately, as a member you can apply for Knights of Columbus Long-Term Care Plus, which is a tax-qualified long-term care insurance plan available to Knights and their spouses, age 18-75, who meet underwriting requirements.

You may be thinking that it's too soon for you to purchase long-term care insurance, but realizing that two factors can work against you makes it important to start as early as possible.



The first factor of waiting is a higher premium, since you will be older as you move forward in time. The second factor is your health. Today your health allows you to qualify. But what about tomorrow? Most of us will develop health issues with the passage of time. It is a natural part of the aging process. Putting off a decision to obtain long-term care insurance may mean you will lose the ability to medically qualify in the future.

Now that you understand the financial benefit of buying Knights of Columbus Care sooner rather than

later, here are a few important things for you to know:

- 1) **Easy to customize.** You will choose between nursing-home only or comprehensive coverage (which includes at-home and hospice care, respite care, transportation coverage and a home-modification benefit), and you'll also select your daily benefit amount, benefit duration, and elimination period (waiting period for benefit payments to start).
- 2) **Benefits for Spouses.** In most states a spousal discount is available, plus when you and your spouse have identical policies each spouse can select the option to use the other's benefits if their own benefits are exhausted.
- 3) **Peace of mind.** You will worry less knowing there are no limitations for pre-existing conditions after your policy is approved, and your premiums will be waived during any period in which you are receiving benefits.

Please call me if you want to learn more or begin the application process. ♦