

COMMON PROBLEMS BY COMPONENT & DRAWER

Protection Component

- Low liability limits. (P1-P3)
- Low deductibles. (P1-P3)
- Actual rather than replacement coverage on the home and its contents. (P2)
- Disability Insurance protection not maximized. (P4)
- Weak definition of disability. (P4)
- No cost of living adjustment. (P4)
- Disability benefits reduced by Social Security. (P4)
- Benefit period ending at 65. (P4) Benefits are taxable. (P4)
- Adjust waiting period. (P4)
- Maximum out of pocket limit set too low for Health Insurance coverage. (P5)
- Low family deductible. (P5)
- No recent Social Security audit has been completed. (P6)
- Will may be out-of-date. (P7)
- Executors and guardians may not be current. (P7)
- Trustees may not be current. (P8)
- Ownership arrangements that do not conform to client desires. (P8)
- Life Insurance Coverage not maximized. (P9)
- Unsuitable types of coverage. (P9)
- Beneficiaries may be misstated. (P9)
- Settlement options that do not conform to client desires. (P9)
- Lost opportunity cost on term premiums. (P9)
- Expiring death benefits. (P9)

Savings Component

- Deficient savings (S1-S6)
- Low yield, taxable yield, lost opportunity cost, no creditor protection. (S1-S3, S6)
- Low yield, tax deferred (S4)
- Low yield, taxable yield, lost opportunity cost, no creditor protection, limited liquidity. (S5)
- Tax deferred to a potentially higher tax bracket. (S7, S9)
- Penalties for early withdrawal. (S7-S9)
- No cash flow potential (S7-S9)
- Limited flexibility (S5, S7-S9)
- Interest rate fluctuations. (S1-S3, S5, S6)
- Income tax at distribution. (S7, S9)
- Unnecessary fees & expenses. (S1-S9)
- No safe harbor from lawsuit. (S1-S6)
- Limited contribution amounts. (S7-S9)
- No self-completion in the event of death or disability. (S7-S9)
- Negatively impacted by inflation. (S5-S6)
- Taxation as ordinary income. (S5, S6, S7, S9)
- Loss of control. (S7-S9)
- No stepped up basis. (S7-S9)

Growth Component

- Interest rate fluctuation. (G1-G3)
- Market risk. (G1-G9)
- Taxation as ordinary income. (G1, G2, May apply to G3 in certain situations)
- Taxation as capital gains. (G1-G9)
- Lack of liquidity. (G7-G9)
- Limited flexibility. (G7-G9)
- No safe harbor from lawsuit. (G1-G6, G9)
- No self-completion in the event of death or disability. (G1-G9)
- Unnecessary fees & expenses. (G1-G9)

Debt Component

- Excessive debt
- High interest rates