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Dear friends,

Greetings! This quarter I thought I would stray a little from discussing investment portfolio design and maintenance (although not totally, see my PS) and instead share with you some of my ideas regarding two often misunderstood, yet potentially very important, insurance products. When it comes to life insurance and long-term care insurance, for most of you, this coverage should either be at the very top or very bottom of your financial planning priority list. Why is there so little middle ground? Let me explain.

First, let's look at what a good long-term care (LTC) policy should do for you. If you are a married couple and have managed your financial affairs responsibly, you may well have accumulated a sizable nest egg that you are counting on to help provide a secure and comfortable stream of income for your retirement years. Should the health of you or your spouse erode to a point where one requires extensive care, either in your own home or a nursing home, your entire family's financial future may be in jeopardy without an appropriate policy in place to protect you. Tragically, the tradeoff is having to pay a fortune for care of the ailing spouse at the price of the "healthy" spouse's financial future. Medicare typically will only cover a small fraction of these needs, and Medicaid only kicks in when, for all intents and purposes, your assets have been depleted. Whether this is fair or not is an issue that can be argued, but this is the reality of our system as presently constituted.

Why do I only discuss a married couple in my example? If you are single, or have no financial dependants, you may still choose to purchase an LTC policy but the importance is not nearly as critical. The reason is that although your assets may also be rapidly depleted should you become ill, it will only be at the expense of future heirs, as opposed to present loved ones and dependants who would be in immediate and long-term need. An LTC policy, in this case, is far more of a luxury than a necessity. Keep in mind these policies are not particularly cheap, but for some, the premiums may turn out to be the best bargains you ever realize.

Life insurance is another tremendously misunderstood financial product. I frequently tell clients that most is "sold" instead of "bought." Is this just an exercise in semantics? I don't think so because I can't tell you how many times I have spoken with clients who are dangerously underinsured, not necessarily because they can't afford to pay their life insurance premiums, but because they were sold an inappropriate policy for them. Conversely, I know many who are over insured. These folks don't even need any death benefit protection but rather were "sold" a policy based more on the simple fact that they could afford it.

Getting back to the idea of how high or low life insurance should be on your priority list, think of it this way - if you have small children, or anyone else who relies heavily on your ability to earn income, you

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need a ton of life insurance. It should be at the top of your priority list. On the other hand, if you have already accumulated your assets, and successfully built a nice nest egg, your need for the "protection" benefit of life insurance is very small. For you, life insurance is a much lower financial planning priority. You may have surmised by now that misrepresentation of life insurance by financial "professionals" is a pet peeve of mine. Some policies can be mind numbingly complex but they shouldn't be. Remember, life insurance is either far too important, or far too expensive, of a product to be purchased without complete understanding of what it will do for you and your surviving loved ones.

If you have any insurance (or other financial planning) matters that may be puzzling or troubling you, and you would like some advice, or just an unbiased opinion, please don't hesitate to ask and I'll try and help. *FYI, if this letter sounded familiar to you it should have. I originally wrote it in 2005 but the points are as valid today as ever so I thought it worthy of a re-post. I may do this from time-to-time to emphasize the truly timeless nature of most solid financial planning messages. Thanks all!*

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PS - Once again I know we are going through some challenging and turbulent times with respect to global financial markets. Please hang in there and remember if you are feeling uneasy or queasy about your investments definitely call me and we will spend as much time as you need getting you comfortable and refamiliarizing you with the rationale and logic as to why your portfolio is being managed and maintained in this particular way. In this business greater knowledge brings greater comfort and confidence and it is a huge part of my job to help you understand why financial markets behave the way they do and to make long-term sense of it all.