
canceling life insurance

Posted by cc4357 - 2010/09/07 23:26

My divorce settlement requires that i continue to pay on a life insurance policy to pay for my alimony and child support. Now that i am 3.5 yrs away from paying my obligations under the i would like to let the policy lapse as its getting to expensive to maintain as its a variable policy and if the market doesnt perform well, then the premiums get adjusted to make up for the difference between the market performance and the cost of insurance. What is the worst that can happen if i let the policy lapse? Not even sure if my ex will even find out that the policy lapsed. I dont see any risk. Do you?

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Re:canceling life insurance

Posted by Miami LS - 2010/09/13 23:03

The worst that can happen is that you are forced to reinstate the policy. Are you required to provide an in-force ledger to your ex?

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Re:canceling life insurance

Posted by cc4357 - 2010/09/15 22:42

Agreed, let sleeping dogs lay. If they dont find out about the lapse, then no harm.

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Re:canceling life insurance

Posted by Henkel - 2010/10/26 00:13

I think the risk is that you cant afford to get the policy reinstated and the court forces you to provide other assurances to your ex-spouse, which could cost you more than the life insurance premiums (even if they are variably adjusted). Why dont you see if you can replace your policy with a different policy? Talk to your insurance agent.

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Re:canceling life insurance

Posted by cisamitesh - 2010/11/01 07:45

I think every one must be careful while canceling life insurance plans and one must understand the ramifications, including any possible penalties that you might incur. With a cash value policy, you should check with your financial advisor before you cancel.

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Re:canceling life insurance

Posted by Score162 - 2010/11/03 23:49

My parents bought a life insurance policy for me when i was young and now it has cash value of about \$9,000. If i cash out the policy so that i can get the cash value will i be taxed on the \$9000? How does that work?

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Re:canceling life insurance

Posted by whyinsure - 2010/11/18 06:24

Life insurance is possibly the most critical insurance policy you can take out. It forms a part of planning for your family's financial security. Consider the financial effect that losing the major breadwinner in your household would have on your

family.

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Re:canceling life insurance

Posted by whyinsure - 2010/11/18 10:23

Life insurance is possibly the most critical insurance policy you can take out. It forms a part of planning for your family's financial security. Consider the financial effect that losing the major breadwinner in your household would have on your family.

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Re:canceling life insurance

Posted by Mike Sareta - 2010/11/27 08:54

Usually the cash value of a life insurance policy is not taxed. However, if you are entitled to some of the cash value, including accumulated earnings, then the earnings from the premium payments will be taxed. In such as case, the insurance company will issue a form 1099-R at year end which a statement of the earnings and you will pay taxes on it. Then if you ever decide to pull out money from the insurance policy, the amount withdrawn is tax free.

One caveat: if you pull out money from the policy, then it may affect the annual premiums if the policy doesnt perform well. Talk to your advisor first.

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