

6 strategies to help you capture the cash value in your life insurance policy

Many life insurance policies come with a cash value component, which can be a valuable asset for policyholders. The cash value grows tax-deferred and can be used to pay premiums or even taken out as a loan. However, many policyholders fail to take full advantage of the cash value component of their policy. Here are six strategies to help you capture the cash value in your life insurance policy:

1. Review your policy regularly:

It's important to review your policy annually to ensure that it still meets your needs. Check the cash value component to see how much it has grown, and if it's not performing as expected, consider making changes to your policy or investment strategy. Your financial goals may change over time, and a policy that was once a good fit may no longer serve your needs. Regularly reviewing your policy can help you stay on track and capture the maximum cash value.

2. Pay your premiums on time:

If you miss a premium payment, your policy may lapse, and you may lose the cash value you have built up. Make sure you pay your premiums on time to avoid this situation. Timely payments ensure that your policy remains in good standing and continues to build cash value.

3. Use dividends to boost cash value:

If your policy pays dividends, consider using them to boost your cash value instead of taking them as a payout. This can help your cash value grow more quickly. Dividends are a way for insurance companies to share profits with policyholders, and using them to boost cash value is a smart way to reinvest in your policy.

4. Take out a policy loan:

If you need cash, consider taking out a policy loan. This will reduce your death benefit, but you can pay it back and restore the death benefit later. Keep in mind that interest rates on policy loans can be higher than other types of loans. A policy loan can be a quick and easy way to access cash without the need for a credit check or lengthy approval process.

5. Use cash value to pay premiums:

If you have built up a significant cash value, you may be able to use it to pay your premiums. This can be a good strategy if you have a whole life policy with a high premium. Using cash value to pay premiums can help you avoid lapses in coverage and ensure that your policy remains in force.

6. Consider a partial surrender:

If you need cash and don't want to take out a policy loan, consider a partial surrender. This will reduce your death benefit, but you can receive the cash value in a lump sum. A partial surrender can be a good option if you need a larger amount of cash than a policy loan can provide.

In conclusion, capturing the cash value in your life insurance policy can be an effective way to build wealth and access cash when you need it. By reviewing your policy regularly, paying your premiums on time, using dividends to boost cash value, taking out a policy loan, using cash value to pay premiums, and considering a partial surrender, you can maximize the benefits of your life insurance policy's cash value component. Be sure to consult with your financial advisor to determine which strategies are best for your individual needs and goals.