

WHAT IS A 1035 EXCHANGE?



By Greg Koch, Koch Insurance Brokers LLC

Do you have a current annuity or insurance policy that doesn't fit your needs? If you are on the lookout for a new policy, a 1035 exchange may be a good option for you.

How a 1035 Exchange Works

A 1035 exchange is a section of the U.S. tax code that lets policyholders replace an existing annuity or life insurance policy with a new policy — and with no tax consequences. This tax-free exchange may be used for life insurance policies, modified endowment contracts (MECs for short), and non-qualified annuities toward a new policy.

With all the new benefits on newer policies — such as living benefits for terminal illnesses or long-term care situations, better returns on your money, you might wish to explore new options. The good news is you don't have to keep your current policy forever.

Make sure you talk to an experienced professional for guidance to be sure it is right for you before you leap, there are guidelines and rules that must be followed.

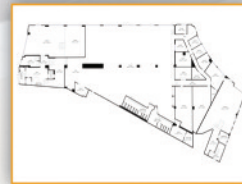
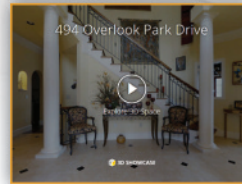
Is a 1035 Exchange Right for You?

Before committing to an exchange, weigh your decision carefully. You should be well-versed in what's involved, including the potential pros and cons of a 1035 exchange and any new policy replacing your current one. Not only that, any replacement with a new policy should more than make sense for you on a personal as well as financial basis.

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That being said, there might be motivations for wanting a new insurance or annuity policy in general. Since we don't live in a one-size-fits-all world, here are some reasons you might want to investigate a 1035 exchange for your current policy:

- You need another contract that has features or benefits that your current contract doesn't have, such as tax-free benefits for long-term care needs.
- Your existing contract has fees or costs that you feel are too high, especially for benefits or features that you may not need.
- You believe your existing annuity holds too much risk. For example, many policyholders own variable annuities. They may want a fixed-type annuity contract so their principal isn't as exposed to market volatility risk.
- You now prefer a predictable guaranteed rate, such as what a multi-year guarantee annuity, or MYGA annuity, offers. This has growing appeal to retirement investors who just want an unchanging, fixed growth rate for their money.
- You may need stronger benefits than current contract provides, such as a higher annuity payout for example.

• You are out of the surrender period and looking for a better renewal rate than what your existing annuity gives. You want a positive market value adjustment to work with in your new contract.

If you have a policy that doesn't fit your needs, or you do not like, please call to find out your options. Greg Koch can be reached at: 610.370.7268; email: Greg@KochInsBrokers.com; www.KochInsBrokers.com.



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