Insurance Cheat Sheet: Must-Haves of a Great Legacy Policy

You want a policy that's built for **you**, not the insurance company. This guide shows the core "layers" a strong whole life **Legacy Policy** should have - what each one means and why it matters. We use our *Legacy Flight Plan Checklist* to implement these must-haves, partner with skilled experts, and help you evaluate policy construction yourself. Remember, **"Trust, but verify."** Legacy Insurance is powerful only when designed properly. If you don't understand it, don't use it.

1) Participating

What it is

A policy that pays **dividends** to you from the insurer's profits - often treated as a **return of premium** (commonly tax-favored up to what you've paid in). Over time, strong designs can hit a **"changeover point"** where dividends exceed the base cost of insurance.

Why it matters

Dividends can: (a) come as **cash**, (b) **reduce premiums**, or (c) buy **paid-up additions (PUAs)** to grow cash value faster - speeding compounding and flexibility.

2) Mutual

What it is

A **mutual** company is owned by policyholders, not public shareholders. Every policyholder participates in results.

Why it matters

Incentives lean toward **policyholder interests first**, supporting steadier decisions and aligning long-term outcomes with you.

3) Consecutive (Dividend Streak)

What it is

A long **unbroken streak** of paying dividends - sometimes for many decades.

Why it matters

Like a hitter who **always gets on base**, steady dividends build a reliable foundation for **compound growth** through good and bad markets.

4) Performance

What it is

Not just paying dividends, but **how strong** they are over time - maintaining or increasing the dividend scale signals disciplined investment strategy.

Why it matters

Better performance can mean **stronger compounding** and better long-term cash value. Weak, falling dividends may point to poor strategy.

5) Supercharged Cash Value

What it is

Strategic **overfunding** - paying above the base premium (usually via **PUAs**) - to **supercharge** cash value while staying **below the MEC limit**.

Why it matters

You get **faster, tax-advantaged growth** and more usable liquidity sooner. With a skilled “financial copilot,” you can find the **sweet spot** between growth and tax efficiency.

6) Life-Proof

What it is

A design that **adapts** when life changes. You can **reduce or pause overfunding** and keep the **base premium** affordable so the policy stays in force.

Why it matters

Avoids the “precarious edge” of maxed-out premiums that slow cash value and risk lapse. You keep protection and can **ramp back up** later.

7) Multi-Purpose

What it is

Real **options**: take a **policy loan** against your cash value to fund opportunities (your cash value keeps working inside the policy), build **income** from dividends later, or reach **premium offset** so the policy helps pay for itself.

Why it matters

“You can **have your cake and eat it too**.” You become **your own bank**, keeping control and choosing the path that fits your goals.

8) Stealth Wealth

What it is

Tax-smart design that **minimizes drag** - using dividends, ownership/beneficiary choices, and (with a **CPA’s** guidance) loan strategies that can coordinate with business or estate plans.

Why it matters

More of your money **stays working** for your family. Example: a business can service policy-loan interest (with proper documentation), potentially creating deductions and better cash flow.

9) Guaranteed Growth

What it is

Lifetime protection with **level premiums** and **guaranteed cash value** that grows each year - plus potential dividends on top.

Why it matters

A **guaranteed, expanding foundation** beats temporary coverage or products with rising internal costs. It’s the sturdy base for your legacy.

10) Built from Scratch

What it is

A policy **tailored** to your family - your cash flow, goals (protection, liquidity, income, legacy), and risk tolerance. No cookie-cutter shortcuts.

Why it matters

You get a design that **over-performs for you**, not for the insurer. Being involved teaches you how it works - and how to **maximize** its value.