

# Tax Issues

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It is not uncommon for policy owners to have little understanding of the tax ramifications of their actions. Many times my work with advisors has prevented substantial tax surprises when a policy owner didn't realize their policy was in a significant gain position. This is especially true in policies with loans. After all, who would naturally think that a policy which was falling apart due to poor performance and management and with little net cash value could result in a potentially massive tax nightmare.

Other times it is precisely the opposite situation where a policy is “underwater” and the basis is greater than the cash value. Rather than surrendering the policy and losing the basis there are sound ways to salvage the basis to use against other gain in an estate or against other policies.