

# THE BENEFITS OF ADDING YOUR SPOUSE TO A POLICY



## OVERVIEW

Westward often recommends that a spouse be added to the life insurance policy even if he or she is not actively involved in running the business.

The main reason for adding a spouse is that it offers the option to easily convert a single life Buy/Sell policy to a joint life Estate Tax policy. This is to ensure that you have the right type of insurance as your situation changes over time. By using permanent insurance as the basis for a strategy that includes you and your spouse, you will protect your business interests during your working years, and then have a plan in place to guarantee that your beneficiaries have the funds to cover estate taxes after the passing of you and your spouse.

Here we answer the questions spouses often ask about how and why adding them to the strategy will prove advantageous. Of course, if you have additional questions, please feel free to contact Westward at any time.

## Frequently Asked Questions

1. **What is the main benefit of adding my spouse to my insurance plan?**  
Adding a spouse provides flexibility. It allows you to convert your insurance from a single life Buy/Sell policy to a joint life Estate Tax policy at any time, such as when you retire or sell the business. While you are active in your business, the Buy/Sell policy ensures there will be sufficient funds to purchase your shares in the event of your death. When you leave the business, you can convert to a joint life Estate Tax policy so that the payout on second-to-die can be used to fund the estate tax.
2. **Are there other advantages?**  
Yes. There are several other reasons to add a spouse:
  - The cost of the option to switch to joint coverage is usually about \$10 a month
  - No medical is required when converting to the joint life Estate Tax policy
  - Switching to a joint life Estate Tax policy reduces the underlying cost of insurance
3. **Do I have to be married? Can other people be included?**  
This feature is not limited to adding a spouse. Industrial Alliance, for example, calls the other party an “added life insured,” not a spouse. Although most add a husband or wife, you can add anybody to the policy as long as there is an insurable interest.
4. **Does my spouse have to take a physical?**  
Everybody who applies for life insurance must take a physical. However, it is usually to your advantage to take it when you are younger and before health issues arise. By obtaining medical approval now, the added life guarantees future insurance coverage when switching to the joint life Estate Tax policy, without any requirements for further medical evidence.
5. **What happens when I die?**
  - A. If the single life Buy/Sell policy is in effect, the insurance pay out on your death will go to your business partners who will use it to purchase your shares.
  - B. If the joint life Estate Tax policy is in effect, the insurance pay out on second-to-die will flow to the estate to help cover estate tax liabilities.
6. **Are there any risks?**  
No. In fact this type of strategy removes risks by giving you the option to change the type of policy you own. Converting from a single life to a joint life policy is simple and can be exercised at any time after five years from the issue date of the policy. This will protect your interest in the company while you are active in the business, and then safeguard your estate after you retire or sell the business.

