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Review of the Review

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A REVIEW OF THE REVIEW

René A. Wormser*

It was gratifying to have my book reviewed by James F. Thornburg, one of the ablest practitioners of that ubiquitous profession known as "estate planning." Mr. Thornburg has very much to contribute to the subject, both in technical knowledge and, in what is perhaps more important, judgment. The profession would profit if he should do a book.

I have only one comment to make regarding his review. This concerns the inference he drew from my text, that I "permit inflation to prejudice" my "judgment regarding the validity" of life insurance.¹ Perhaps I did not state my case adequately. The fact is that I am not only a particularly staunch supporter of life insurance (and this started way back because my father left none) but have been urging insurance underwriters for years to sell *more* life insurance *because* of inflation. Here is my case, in brief.

(1) Life insurance has no peer—when it is needed, there is no substitute—and almost everybody needs it.

(2) However, like anything attached to the dollar, it is vulnerable to inflation.

(3) We have had very heavy inflation, and there is every indication that inflation will continue merrily.

(4) Realism demands a reasonable hedge against inflation.

(5) One hedge is to plan on progressive purchases of life insurance, itself, to keep pace (in purchasing power of the principal contracted for) with inflation.

(6) While life insurance for the protection of the family must be one's first concern, one must also give attention to protection during life. It seems sensible to plan this chiefly through careful investment in equities which one may hope will (a) increase by growth and (b) protect against inflation.

(7) Thus, there comes a limit to the amount of one's available savings which should be allocated to insurance purchases. Where is this limit? It should be no less than the basic, reasonable protection of the family, whatever that amount might be, and it is any individual's guess. Somewhere along the line, surplus available, annual savings, should be put into investments for one's own protection (and for the family's, incidentally, as well).

(8) For many, in today's state of our society, it may be extremely difficult to extract *any* "surplus available savings." In that case, a hedge is still possible by borrowing on the insurance policies (either directly or through a bank) for the purpose of carrying some equities. The result would be investing the cash value in equities, but leaving the insurance at risk attached to the dollar, and thus establishing a hedge-balance. The initial, aggregate protection to the family would remain the same, but the "investment" would have been hedged. (I do not like to recommend borrowing as a universally desirable practice, but it has its place in the scheme of things for many.)

(9) In summary, I submit that life insurance is the basic and essential medium for family protection, unique in its character, but that the sensible planner should adjust its use and treatment realistically to the virtual certainty that substantial inflation will continue.

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1 36 NOTRE DAME LAWYER 163 (1961).