

UNDERSTAND YOUR LIFE INSURANCE OPTIONS



1 LIFE INSURANCE 101

Life insurance is one of the best ways to protect your loved ones in the event of your passing. We will provide a high-level overview of the four main types of life insurance.



2 LIFE INSURANCE OPTIONS

Term life insurance:

- Insurance coverage for a specific length of time. Generally provides the greatest value for the lowest cost. A healthy 30 year old man may pay an average of \$250 annually for a \$500k policy that provides coverage for 20 years.
- Strictly insurance. No cash value or loans.

Whole life insurance:

- Can provide lifetime coverage at a set premium price.
- Premiums pay for a death benefit + a cash value earning a low rate of return.
- Cash values can be withdrawn or loaned to the policy holder.
- Most expensive type of policy. For a 30 year old man with average health, a \$500k policy may cost an average of \$720 annually.

Variable life insurance:

- Can provide lifetime coverage with a cash value component.
- Wider selection of investment choices for the cash value portion of the policy.
- May offer a higher rate of return than a whole life policy, but you'll still pay high premiums to cover fees and sales commissions. Not a risk free investment.

Universal life insurance:

- Lifetime coverage with a cash value investment component.
- Premiums and death benefits can be adjusted up or down.
- Higher cost due to fees and commissions.
- Premiums may increase over time because the premium amount is not always locked in at a set price.
- Complicated rules for maintaining a cash value balance in the policy.



3 WHAT ELSE DO I NEED TO KNOW?

- Be aware that withdrawals from your life insurance policy are not always tax free and you may be charged interest on loans against your policy.
- Your health matters. When applying for life insurance, you will likely need to undergo a physical exam including bloodwork and an extensive health history intake. The healthier you are, the less you will pay in premiums.
- When purchasing coverage, be sure to buy from a reputable life insurance company.

SO WHAT DOES THIS MEAN FOR ME?

Joni and Jesse are empty nesters. Their 20 year term life insurance policy expires in December and they are considering renewing coverage for another 10 years until their mortgage is paid off. Once the mortgage is paid off, they plan on surrendering their policy and using the premiums they paid to add more to their retirement accounts. By maintaining coverage, either spouse will be able to live in a paid for home should the other spouse pass away.

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