

What you need to know about life insurance



What kind should you buy?

The most basic feature of a life insurance policy is the death benefit: the lump-sum payment your beneficiaries would receive if you were to die. It's the core reason to own life insurance—but not the only one. Some types of life insurance offer riders or other features that can play an important role in your financial strategy, such as the ability to accumulate cash value that grows over time.

Term Insurance

Term life insurance provides protection for a specific period of time—the “term”—and is designed for temporary circumstances. It makes the most sense when your need for coverage will disappear at some point, such as when your children graduate from college or when a debt is paid off.

The most common term policies provide coverage for 20 years, but they can run the gamut from one-year policies to terms of 30 years or even longer. In some cases, a term policy may also be converted to a permanent policy. Typically, term insurance offers the greatest amount of coverage for the lowest initial premium and is a good choice for young families on a tight budget.

Permanent Insurance

Permanent insurance offers lifelong protection, and you can accumulate cash value on a tax-deferred basis. This cash account can be used for a variety of purposes, from helping you out of a tight financial spot, to providing funds to take advantage of an opportunity, to supplementing your retirement income. The downside? Initial premiums are considerably higher than what you would pay for a term policy with the same face amount.

Permanent insurance falls into four main categories. **Whole life** is the simplest and most common option. Premiums remain the same for life, and the death benefit and rate of return on your cash value are guaranteed. With **variable life**, you can seek potentially better returns by allocating your fixed premiums among investment sub-accounts, typically comprised of

stocks and bonds. **Universal life** offers the flexibility of varying the amount of your premium payments. It also offers the certainty of a guaranteed minimum death benefit as long as your premiums are sufficient to sustain it. If you do not maintain those minimum premiums, your death benefit can be reduced. **Variable universal life** premium payments are also adjustable, subject to the minimum needed to keep the policy in force, and you can allocate them among investment sub-accounts that offer varying degrees of risk and reward.

If you'd like to know if term, permanent or a combination of both types of life insurance would work for you, use the easy product selector at www.lifehappens.org/selector.

Features Unique to Permanent Insurance

LIVING BENEFITS - ACCESS TO CASH

A policy's cash value can be surrendered, in total or in part, for cash that can be put toward important uses like a child's education, a business opportunity or supplemental retirement income. Also, you can borrow from your insurer at relatively low interest rates and use the cash value as collateral. The loan is not dependent on credit checks or other restrictions like loans from most financial institutions. Keep in mind that borrowing or withdrawing funds from your policy will reduce its cash value and death benefit if not repaid.

FLEXIBILITY

If you need to stop paying premiums, the cash value can keep your insurance protection in force for a period of time.

TAX ADVANTAGES

Cash value accumulates on a tax-deferred basis, similar to assets in most retirement and college savings plans. Death benefits paid to the beneficiary generally are not subject to federal income tax.

GUARANTEED COVERAGE

As long as you don't allow your policy to lapse, you'll have the coverage for life and won't need to worry about being unable to afford coverage if your health deteriorates.

STABLE PREMIUMS

With many types of permanent insurance, premiums will remain constant or stable over your lifetime. With term insurance, premiums often increase as you age.

