

# Life Insurance

Life insurance is a way to protect our loved ones from financial hardship when we die. Life insurance can be a way of protecting an estate to be passed on to heirs upon death. If there is a large estate, the family should seek a professional financial advisor, a fiduciary attorney or a Certified Financial Planner (CFP).

Life insurance can be valuable to protect any dependents if the insured dies. It can also be used to cover final expenses and debts, and for estate planning purposes. Typically, term life insurance is prohibitively expensive for people over 50, who may do better to choose a whole, universal or variable life insurance policy. Check with an insurance agent to compare the costs and benefits of each.

There are several basic types of life insurance: term, whole, universal and variable. Here are explanations of each

## TERM

Term life insurance covers policyholders for a fixed term; it is usually the cheapest form of life insurance—particularly for people aged 20 to 50 years old.

Term life insurance can have two types of premiums: level-term and annual renewable. Level-term premiums remain the same over the life of the policy, and annual renewable premiums increase with age.

## WHOLE

Whole-life insurance combines an insurance plan with a savings plan. There are two parts to a whole-life policy: the mortality charge, or true insurance part, and the savings part, which earns fixed-rate interest. Whole-life policies build up a tax-free cash value, and you can borrow against this accumulation without being taxed as well.

Because it is more expensive than term insurance, whole-life insurance is often best used by people with more means who want to use it for estate-planning purposes. As part of an insurance trust, it can shield some of an estate from taxes upon death.



## UNIVERSAL

Universal life insurance resembles whole-life, insofar as it combines insurance and savings. The savings component of this kind of policy is generally in a money-market kind of account, and therefore does not guarantee a rate of return.

With universal insurance you generally are required only to contribute the insurance part of the premiums; contributing savings money is optional. Another benefit is that if you do contribute enough to the investment side of the account in the early years, it can, later in the policy, generate enough income to cover the premiums for the insurance coverage.

## VARIABLE

Like whole and universal life policies, variable combines insurance with savings. There are two basic kinds of variable life insurance—the fixed premium variety and the flexible premium variety (called variable-universal life).

With variable-life insurance, you can decide how the savings part of your premium will be invested—from among several portfolio options, including stock, bond and money-market funds. As with any investment, this money will be subject to fluctuations in the market—and it is therefore best for people who have some financial cushion or a long-term outlook.

*Keep all life insurance documents in a safe place, and review them periodically to make sure that they are up-to-date. Also make careful note of the beneficiaries named on the policies, and update these as needed.*