

# INSURANCE

# SURVIVAL

# GUIDE

A GUIDE TO HELP YOU FIND THE RIGHT *LIFE* INSURANCE



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## LIFE INSURANCE

### What it is and why it is important

In most cases, life insurance is used to replace lost income after you die. It can also cover for funeral and other end of life expenses. Life insurance has also become a savings tool, as well as an ingredient in estate planning and charitable giving.

### Key considerations for the life insurance shopper:

- » Life insurance can be complicated. This guide will help.
- » Learn about the pros and cons of permanent/cash value and term life policies (see glossary).
- » Analyze your personal situation to determine the amount of life insurance you need.
- » If you're buying term insurance, look for rate guaranties.
- » If you're buying permanent life insurance, make sure you plan on having it for the rest of your life.
- » Buy from a reputable company.
- » There is no one-size-fits-all life insurance product; compare multiple policies and policy types to find what's best for you.





Notes:

## QUESTIONS TO ASK YOURSELF

### How much life insurance do I need?

» Because everyone has unique personal and financial situations, there isn't a rigid formula for determining how much you need; however, it might help to answer some of the following questions:

- » Who is dependent on my income?
- » How much income do I currently provide?
- » Do I want to set aside money to pay for my children's education?
- » How will my family pay final expenses in the event of my death?
- » Do I want to donate any money to charity when I die?
- » Do I want to leave money for family members?

» Consider using an online life insurance calculator to get an idea of how much you need before you talk to an agent.

### Should I go with a permanent/cash value policy?

- » Typically, a permanent/cash value policy has a higher premium because of the savings ingredient.
- » Permanent/cash value policies can make sense if you plan to have it for the rest of your life.

### Or should I go with a term life policy?

- » Term life policies generally offer the biggest death benefit for your premium dollar.
- » They can get more expensive as you age, unless you get a renewable policy.

### What do I want in a life insurance policy ?

- Flexibility
- Simplicity
- Coverage for a lack of retirement savings
- Forced savings mechanism
- Competitive prices
- Tax-efficient estate planning scheme
- Other \_\_\_\_\_

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## GLOSSARY

**Cash value account** - Most permanent life insurance policies include a tax-sheltered savings account, where a portion of your premium earns interest. Often 'cash value' is used as a synonym for a permanent life insurance product.

**Cost indices** - These help you easily compare the cost—not the premium—of a permanent policy. In general, lower indices are preferable. (See premium v. cost.)

**Guaranteed cost/non-participating policies** - Guaranteed or non-participating policies do not offer dividends.

**Net Payment Cost Index** - Consumers who are primarily concerned with their death benefit and plan to hang onto their policies until death look for a low score on this index.

**Participating policies** - These policies offer dividends.

**Premium v. cost** - If you pay a premium and get money back, perhaps in the form of cash value, then the actual cost of your policy is less than your premium amount. If, however, you don't get anything back, the cost of the policy is the premium.

**Premium** - The price of the policy over a set period—monthly, bi-annually, yearly, etc.

**Surrender Cost Index** - If you're primarily concerned with the cash values and don't think you'll keep the policy forever, you'll want a lower surrender cost index.

## USEFUL INFORMATION

### The two life insurance types:

- 1. Term life:** Insurance that covers you for the duration of the term period – one year, thirty years, until you turn 65, etc. Term policies only pay out a death benefit if you die during the policy term and are usually cheaper than permanent/cash value policies.

» **Renewable:** Allows you to renew without a medical exam.

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» **Convertible:** Term life insurance that carries the option to change, or convert, to a permanent policy without a medical exam.

\*\* **Note:** Always look for **renewable** and **convertible** term life policies! \*\*

» **Level term life:** The premium and death benefit stay the same for the duration of the policy term.

» **Decreasing term life:** The death benefit drops throughout the term of the policy. (It is no longer a widely used policy type.)

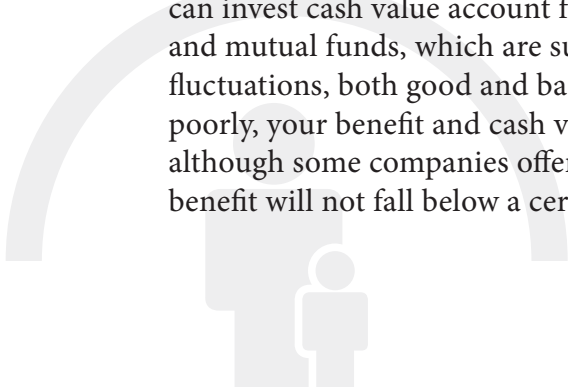
**2. Permanent/cash value:** Permanent policies are often referred to as “cash value” policies because they usually include a death benefit and some type of long-term, tax-advantaged savings plan.

» **Whole life:** Regular premium payments provide the insured with a death benefit and a savings account, the latter of which earns dividends. It is the most common permanent policy in use.

» **Universal:** A more flexible alternative to the traditional whole life policy, universal life insurance provides both a death benefit and a savings account. The savings account, known as a cash value account, earns money at the market rate of interest. The plan also allows the insured to increase the benefit amount if he/she passes a medical exam, as well as use accumulated account funds to alter or temporarily suspend premium payments in the event of a sudden financial disruption.

» **Variable:** Like a universal policy, variable life insurance provides both a death benefit and a cash value account. With a variable whole life policy, the insured can invest cash value account funds in stocks, bonds and mutual funds, which are susceptible to market fluctuations, both good and bad. If your investment fairs poorly, your benefit and cash value account can decrease, although some companies offer a guarantee that the benefit will not fall below a certain level.

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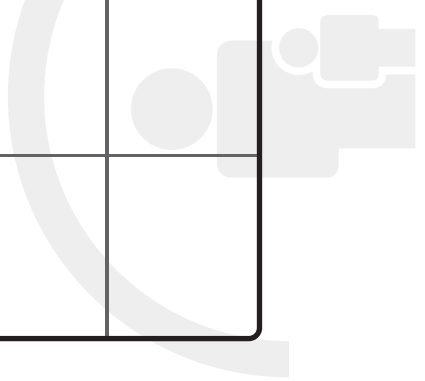




# QUOTE COMPARISON SHEET

Because Things Can Get Complicated

PERMANENT/ CASH VALUE POLICY										
Agent & Company	Contact Info	POLICY TYPE ↓ ↓	COSTS			Policy Term	Premium	Policy Term	Insurance Amount	Quote
			Net Payment Cost Index	Surrender Cost Index	Policy Term					
		Whole? Universal? Variable? W U V								
		Whole Universal Variable W U V								
		Whole Universal Variable W U V								
		Whole Universal Variable W U V								
		Whole Universal Variable W U V								





# QUOTE COMPARISON SHEET

Because Things Can Get Complicated

TERM POLICY									
Agent & Company	Contact Info	Policy Type (circle one)	Guaranteed Level Premiums?	Renewable?	Convertible?	Rider(s)	Policy Term	Insurance Amount	Quote
		Level - or - Decreasing	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No				
		Level - or - Decreasing	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No				
		Level - or - Decreasing	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No				
		Level - or - Decreasing	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No				
		Level - or - Decreasing	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No				





Notes:

## THE FINAL CHECKLIST

**Are you familiar with different types of policies and their strengths and weaknesses?**  YES  NO

- » Check out the glossary for a refresher on the basic types of permanent/cash value and term life insurance.
- » Have you looked into whether your term life policy is renewable or convertible?

**Have you shopped around?**  YES  NO

- » Sometimes the same policy will vary hundreds of dollars in price.

**Have you considered all the other ways you can save money?**  YES  NO

Common ways to save:

- » Explore group insurance possibilities (your employer's perhaps).
- » If you're buying term insurance, look for rate guaranties.
- » Understand your plan's cost index.
- » Change your health habits—quit smoking!
- » Opt for a higher insurance level.  
(This can actually lower your premium!)
- » Pay once or twice a year instead of in monthly installments.

**Have you made sure your term policy is renewable?**  YES  NO  
(a policy that enables renewal without a medical exam)

- » Are you and your agent using the same definition of renewable?  
(Sometimes "renewable" policies mandate a health exam. Truly renewable ones don't.)
- » Some "convertible" policies carry the option to change to a permanent, cash value policy

**Are you comfortable with the insurance company?**  YES  NO

- » Is it reputable, reliable, fair, licensed, confidence-inspiring, and service-oriented?
- » Does your state department of insurance show any complaints against the company?
- » What is its A.M. Best rating? ([www.ambest.com](http://www.ambest.com)) \_\_\_\_\_

**Is this policy the *right* fit?**  YES  NO

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**Additional Space For Notes/ Doodles:**

