

Life Insurance

BUYERS GUIDE



Important things to consider when buying Life Insurance.

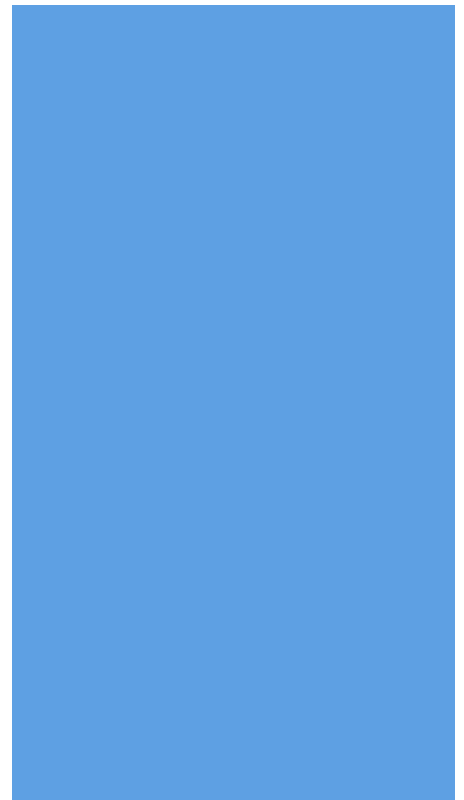
When buying life insurance there are certain things you should be asking yourself.

Your answers to the following questions will help you determine what kind of life insurance policy to purchase.

1. What are your insurance needs and circumstances?
2. Can you afford the initial premium on the life insurance policy you are considering? Does the premium increase or remain level? Will you be able to afford the premium increases?
3. Are the answers on your life insurance policy application complete and accurate?

4. Do you plan to stick with the life insurance policy you are planning to purchase? Changing your mind or canceling your policy early can be costly.
5. Do you have any questions regarding the life insurance policy?

If you currently own a life insurance policy, be sure to review it annually as circumstances are constantly changing. The policy you initially bought might need to be updated due to an increase in your salary, perhaps a new baby or even a divorce



Buy to Fit Your Needs

Be sure to purchase a life insurance policy that fits your needs. It is important to first determine what kind of face value you need, what you can afford to pay and if you buy term, how long you might need your policy. Remember the two main purposes for buying life insurance: to cover any financial burdens that may be left upon your untimely death and, should you choose, a life insurance policy can be a savings vehicle helping you pay for future expenditures. It is important to choose the best combination of life insurance policy premium and benefits to suit your specific financial protection needs and reimbursement in case of a long life.

How Much Should You Buy?

The following questions will assist you in determining how much life insurance to purchase:

1. How much of the family income do you contribute?
2. If you were to die early, how many people depend on you financially? Consider your children, parents, grandparents, siblings or anyone else who you care for on a financial level.
3. How will your burial expenses be paid for?
4. How much debt will you leave behind? Consider credit cards, a business, and the remainder of the home mortgage.
5. Do you want to leave any money to charity or heirs?
6. Are there any estate taxes you need to consider?
7. Do not forget to take inflation into account. If planned correctly, your survivors should be able to live off the interest of your death benefit.

When determining a face value for a life insurance policy, also take into account any group life insurance you have through work, savings accounts, social security and any retirement accounts. Think about any assets your family would consider selling upon your death to help offset any financial burdens.

What About Any Current Life Insurance Policies You Own?

If you currently own a life insurance policy that no longer fits your needs, you may need to replace it. If you are thinking about canceling or replacing a current life insurance policy, consider the following before taking action:

1. Do not cancel a current policy until you have received your new one. You have a "trial" period of 10-30 days in which to review your new policy and decide if it suits your needs better than your current policy.
2. It could be costly to replace your current life insurance policy, as you will have to basically repay the cost of selling and issuing a new policy.
3. Be sure canceling your policy does not affect your income taxes.
4. As you age or if your health has deteriorated your life insurance premiums could be higher for a new policy. Also, be sure you are even eligible for a new policy, as some carriers will not cover certain health issues.
5. Be sure that your new policy has the same benefits as your current policy.
6. Be sure to view the current illustration of the policy you want and compare it to your old policy. Check to see how your policy has performed and what might be expected from future performances based on the amounts the company is paying now.

What is a Life Insurance Illustration?

A life insurance illustration explains how your policy works (this pertains to policies that offer cash values, death benefits, dividends or increasing premiums). You can obtain one from an agent or from the life insurance company. The illustration shows how the benefits that are not guaranteed will change as interest rates and other variables change. You will also be shown what exactly your policy does guarantee and get projections of what might happen in the future. Remember, nothing in life is guaranteed and you should plan to be financially flexible if the interest you were expecting on a policy does not increase as expected. Insurance companies require you to sign a statement noting that you understand that some of the numbers associated with your policy are not guaranteed.

Types of Life Insurance

All life insurance policies are not created equal. While some offer coverage for a lifetime others only cover you for a specific number of years. Some build cash value and others do not. There are many variables to consider.

Basically, there are two types of life insurance: term and those that build cash values. The following is a brief description of each type of life insurance coverage offered. Keep in mind that you will need to do further research to fully understand any limitations or stipulations each individual policy has.

Term Life Insurance

Covers you for one or more years. This type of insurance is the least expensive as it does not offer cash value and is the most straightforward. If you die within the term for which you are covered, your beneficiaries are paid the full amount of your face value (check your policy for restrictions). Term life insurance policies are renewable regardless of any health changes. Premiums may be higher with each renewal and may become un-renewable at a certain age. Term life offers a level policy where premiums remain constant throughout the duration of your term and they usually offer a conversion period where you can trade your term life insurance policy for a cash value policy.

Cash Value Life Insurance

Is more expensive than term. The premiums are higher at the onset and what is not used toward the policy is invested by the insurance carrier to build up a cash value that you can use in different ways:

1. You may borrow against the cash value of your policy. If you are unable to reimburse the loan and interest on the policy, it will be deducted from your benefits upon your death.
2. You can use the cash value to keep insurance protection for a limited time or to buy a reduced value without having to pay additional premiums.
3. The cash value can be used to increase your income once you retire.
4. You may pay a child's tuition without having to cancel the policy.
5. You may pay a child's tuition without having to cancel the policy.
6. You may pay a child's tuition without having to cancel the policy.

There are different types of cash value life insurance policies: whole life, universal life and variable life.

Whole Life Insurance

Covers you for your entire life as long as your premiums are current. Your life insurance premiums usually remain constant and while they are several times more expensive at the beginning, the premiums become much cheaper later in life when you are older and would have to renew a term policy at a higher rate.

If you would prefer a whole life policy that requires payment for a shorter time period (20 years or until age 65) you would simply pay even higher premiums since you would be paying for a shorter time rather than for the rest of your life.

Universal Life Insurance

Is known as the flexible policy. You are allowed to vary your life insurance premium payments as well as adjust the face value of your coverage. You must maintain enough premium payments so that the cash value on your account does not drop below the charges against your account. The more you put into this account the higher your cash value will be for future use.

The death benefit and cash value amount for a **variable life** insurance policy is dependent on the investment performance of one or more separate accounts (i.e.: mutual funds or other types of investments allowed under this type of policy). Your death benefits and cash value are obviously higher the better the underlying investments do and vice versa. If you prefer a guaranteed death benefit under this policy you will be required to pay extra life insurance premiums. It would be wise to research out this type of policy before you buy.

How to Find a Good Value

When you have decided upon the life insurance coverage that best suits your needs, be sure to compare similar policies from other life insurance companies to see which one offers the best value for your money. Do not only compare life insurance premiums. Also consider if the premiums change year to year. Consider how much the benefits will build up. Compare which premiums or benefits are guaranteed and the interest on money paid and received at different times.

A cost comparison index can help you as you shop for life insurance policies. There are various kinds of comparison indexes that measure different things so it would be best to ask a life insurance agent or the life insurance company representative for guidance.

Indeed, no one life insurance company can offer the lowest cost at all ages for all amounts of insurance. Also consider the following:

1. How quickly does your policy's cash value grow? This varies by policy type.
2. Does the policy have special features that best suit your needs?
3. How does the carrier calculate non-guaranteed values?
4. Payment varies by company according to fluctuations in the interest rates.

Keep in mind that this life insurance buyer's guide provides very basic information. It would be wise to do more research online or speak to a qualified life insurance agent about your needs.