

Cash Value Life Insurance - The Basics

There are several different types of cash value life insurance policies from which to choose. They are all designed to provide living benefits as well as the death benefit.

The principal objective of cash value life insurance is the same as with term insurance: to create an immediate estate should the insured die. The cash value in the policy can also be accessed through loans or withdrawals for emergencies or other needs. It is important to remember that loans or withdrawals of a policy's cash value will reduce the policy's death benefit.

- **Whole Life Insurance**
- **Universal Life Insurance**
- **Variable Life Insurance**

Whole Life Insurance

Whole life insurance offers a number of guarantees made by the issuing insurance company. The following are typically guaranteed with whole life insurance:

- death benefits
- cash values
- level premiums

Sometimes dividends are also guaranteed.

Whole life insurance can be a good tool for long term life insurance needs.

Characteristics of Whole Life Insurance

- Tax-deferred growth of cash value
- Cash values are guaranteed
- Premiums are guaranteed
- Can withdraw or borrow cash value
- Dividends are tax free

Universal Life Insurance

With a Universal Life policy, both premium payments and death benefits can be flexible, within limits.

When premiums are paid, part of the premium goes to pay for the term insurance and part of the premium is put into a side fund upon which interest is paid.

If the premium paid is not enough to cover the cost of the insurance, the additional amount needed is taken from the side fund.

The policyowner has a number of options with regard to premium payments.

Within limits, premiums can be adjusted up or down. Premium payments can also be skipped entirely if there is enough cash value in the policy to make the payments. Also, the death benefit of the policy may be adjusted up or down.

However, a request to increase the death benefit may require proof of insurability (such as updating some health questions or even submitting to a physical examination)

Characteristics of Universal Life

- Tax-deferred growth of cash value
- Interest rates are competitive

- Access to cash value through loan or withdrawal
- Premiums are flexible
- The policy's death benefit may be adjusted (higher or lower)

Variable Life Insurance

Variable life insurance is a flexible life insurance product that is offered by a prospectus.

Variable life insurance has a term insurance foundation and an investment fund. The policyowner gets to choose which type of investment vehicle in which the cash value will be placed. The following are types of investment vehicles from which the policyowner can choose:

- Money Market Account
- Corporate Bond Portfolio
- Common Stock Portfolio
- Government Securities
- Fixed Account

Insurance agents must be properly licensed to sell securities in order to sell variable products which are sold by prospectus. Be certain that you CAREFULLY read the prospectus before purchasing any variable product.

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