

5

SIGNS THAT  
PERMANENT LIFE  
INSURANCE COULD  
BE RIGHT FOR YOU



**FAMILY  
RETIREMENT  
SERVICES**

## TODAY, THE OPTIONS FOR LIFE INSURANCE POLICIES ARE VIRTUALLY ENDLESS.

From whole life to variable products, indexed, fixed, guaranteed issue, accelerated underwriting, and all the way to annual renewable term, the landscape has become somewhat challenging to navigate. But at its core, you can place any product in one of two categories: **term insurance or permanent insurance.**

For plenty of individuals, term insurance might be the

only life insurance they ever buy. And for many of them, that will do the trick. If you need coverage for a limited amount of time (to account for a debt or income replacement during working years), there isn't a better product out there.

So, what is permanent life insurance, and when should you consider permanent over term? Here are five signs that permanent life insurance could be a better fit for you.

### 1 YOU'RE IN OR APPROACHING RETIREMENT

For the retiree or pre-retiree, income replacement is much less of a concern. Oftentimes, most or all debt is resolved. At this stage, life insurance becomes less about the protection aspect and more about leveraging assets. A permanent life insurance plan can now be used to purchase a guaranteed legacy for the next generation for just pennies on the dollar.

Permanent life insurance is undoubtedly more expensive than its term counterpart. But at retirement age, you'll find few assets that can produce the rate of return that the death benefit of a permanent plan can guarantee. Purchasing this insurance is not for the "if I die" scenario, but instead for "when I die." It's about maximizing your legacy with a plan you know will be in force when you die.

### 2 YOU'RE CONCERNED ABOUT LIVING TOO LONG

Dying too soon is a fear that brings many individuals to purchase life insurance when they're young. For most of our lives, that's a real concern more than worrying about living too long. But when your fear turns to the thought that you might outlive your life insurance coverage, it might be time to consider permanent life insurance.

Having certainty that you'll have a death benefit in place when you die provides the peace of mind in knowing that there's one less thing to worry about. If you have longevity in your family, make sure you have a policy with that same trait.





## 3 YOU WORRY ABOUT THE COST OF CARE

If you've done any research into the struggles that retirees face, you know that the cost of elder care can derail one's retirement plans. The odds are that you've had a parent or family member experience this first-hand. One way to offset this cost is through the living benefits offered on permanent life insurance plans.

Many policies have chronic illness riders that allow you to access your death benefit while you're still living. A handful of policies even offer actual long-term care. A permanent life insurance policy with living benefits gives you the flexibility of a death benefit when you die, or the ability to pay for care while you're living.

## 4 YOU CAN CONTRIBUTE MORE THAN THE MINIMUM

One of the greatest things about a permanent life insurance policy is the cash value account associated with it. The cash value in a life insurance policy grows tax-deferred and can be accessed cash-free via policy loans.

Sounds pretty great, right? It truly is, but don't forget about the cost of insurance and

other expenses within a life insurance policy. Universal life insurance policies allow you to contribute much more than the minimum to cover those charges. However, if you can only pay the bare minimum, then this might not be the strategy for you.

For this plan to work, you've got to contribute much more than the minimum, and you've got to be able to continue those contributions typically for seven years or more. If you've got the cash flow to make this work, a permanent plan can result in less money out of pocket when compared to a term policy. If structured properly, your cash value should outweigh your premiums paid as early as year ten.



# 5

## YOU'RE COMFORTABLE WITH AT LEAST A TEN-YEAR COMMITMENT

Term insurance is a temporary solution, and often one that individuals can easily stomach. However, permanent insurance is a more significant commitment. As mentioned above, it typically takes about ten years for a plan to reach a point where the cash value surpasses the premiums paid. Those first ten years also contain the highest costs the policy will experience — including surrender charges — which make it difficult to access the money inside.

However, starting in year 11, most policies see a significant reduction in expenses. Ultimately, this allows the cash value to grow at a much faster rate. If you can manage to wait out those first ten years, permanent life insurance can be an advantageous strategy.

### BOTTOM LINE

IS PERMANENT INSURANCE FOR EVERYONE? CERTAINLY NOT. AS YOU CAN PROBABLY TELL, THERE'S A LOT MORE THAT GOES INTO A PERMANENT LIFE INSURANCE POLICY THAN YOUR STANDARD TERM INSURANCE. IT'S RECOMMENDED THAT YOU CONSULT WITH YOUR TRUSTED FINANCIAL ADVISOR TO HELP DESIGN AND IMPLEMENT WHATEVER LIFE INSURANCE PLAN YOU GO WITH.



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