

Types of Insurance

Term Insurance

Term Insurance provides pure financial protection for a specified time. Many policies are annually renewable. Because there is no cash or loan value, the premiums are usually less expensive than other life policies. Generally it is an inexpensive way for younger people to meet their life insurance needs. As age increases, premiums increase.

Whole Life Insurance

Whole Life Insurance is protection for the whole of the life even though premiums may be paid over a limited period of time. It provides 'permanent' protection and a low interest savings account. The insurance company invests the premium in fixed income vehicles and credit interest. It is a more expensive type of insurance initially. Whole life may be modified by a design to lower premiums in the early years and increase them later.

Income tax is deferred on the earnings of the cash value while the policy is in force. Clients should understand that the cash value built up in the policy does not add to the death value of the policy and that in order to use the cash value it must be 'borrowed' out, or the policy surrendered, and this may involve tax ramifications. In times of high interest rates, this may be a low cost source of credit.

Universal Life Insurance

Universal Life Insurance combines the pure protection of term insurance with the tax sheltered cash value of whole life. It is known for its flexibility because it pays current interest rates and changes may be made in the premiums to increase or decrease the cash value built up per the client needs and within industry restrictions.

Variable Life Insurance

Variable Life Insurance is a type of whole life that allows the investment of the cash value in common stocks or other high yielding investments. The policy's cash value and/or death benefit may fluctuate to some degree reflecting the investment performance. People use variable life insurance as a tax-deferred way to invest, while still providing some life insurance.