THE INS AND OUTS OF LIFE INSURANCE

If you’re just starting to look into life insurance, the myriad of choices can be confusing.

Provided by Steven Pierce

Man is Mortal. That makes life insurance a little unique and interesting, doesn’t it? We purchase things like health insurance, car insurance and home insurance, then hope we never have a need to use them. Life insurance is different, because it’s a widely accepted fact that sooner or later, each one of us will die.

So many choices. When it comes to life insurance, there are many options. You may have heard terms like “whole life insurance”, “term insurance” or “variable insurance” … but what does it all mean? And what are the differences? Well, first let me point out what they have in common: all life insurance policies provide payment to a beneficiary in the event of your death. Except for that basic tenet, the differences between policies can be major.

Whole life insurance. This type of insurance covers your entire life (not just a portion or a “term” of it). Insurance companies tend to be cautious when selecting their investments, so the benefits could be lower than if you invested on your own. Whole life policies also tend to cost more than “term” policies. This is both because they grow what is known as “cash value”, and because after a time you will be able to borrow against or withdraw from your whole life benefits.

Term insurance. Rather than covering your whole life, “term” insurance covers a pre-determined portion of your life. If you die within that term, your beneficiaries receive a death benefit. If not, generally you get nothing. To put it simply, term insurance allows you to purchase more coverage for less money. Basically, you are betting on the probability of your death occurring within that specified “term”.

Variable life insurance. Variable life insurance is a permanent insurance. However, unlike whole life insurance, variable insurance allows you to invest the cash value of your policy in “subaccounts” (which can include money market funds, bonds or stocks). Variable insurance offers a bit of control, as the value and benefit depend upon the performance of the subaccounts you select. However, that means there could be significant risk involved, since the performance of your subaccounts cannot be guaranteed.

Universal life insurance. With universal insurance, it all comes down to flexibility. It is permanent life insurance that provides access to cash values that build up tax-deferred. You can choose the amount of coverage you feel is appropriate, and you retain the ability to increase or decrease that amount as needs change (subject to minimums and requirements). You also have some flexibility in determining how much of your premium is goes towards insurance, and how much is used within the policy’s investment element.
So, which is right for you? Many factors come into play when deciding what type of life insurance will best suit your needs. The best thing to do is speak with a trusted and qualified financial professional who can assist you in looking at all the factors and help you to choose the policy that will work best for you.

Securities sold, advisory services offered through CUNA Brokerage Services, Inc. (CBSI), member FINRA/SIPC, a registered broker/dealer and investment advisor. CBSI is under contract with the financial institution to make securities available to members. Not NCUA/NCUSIF/FDIC insured, May Lose Value, No Financial Institution Guarantee. Not a deposit of any financial institution.

These are the views of Peter Montoya, Inc., not the named Representative or Broker/Dealer, and should not be construed as investment advice. Neither the named Representative or Broker/Dealer give tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your Financial Advisor for further information.