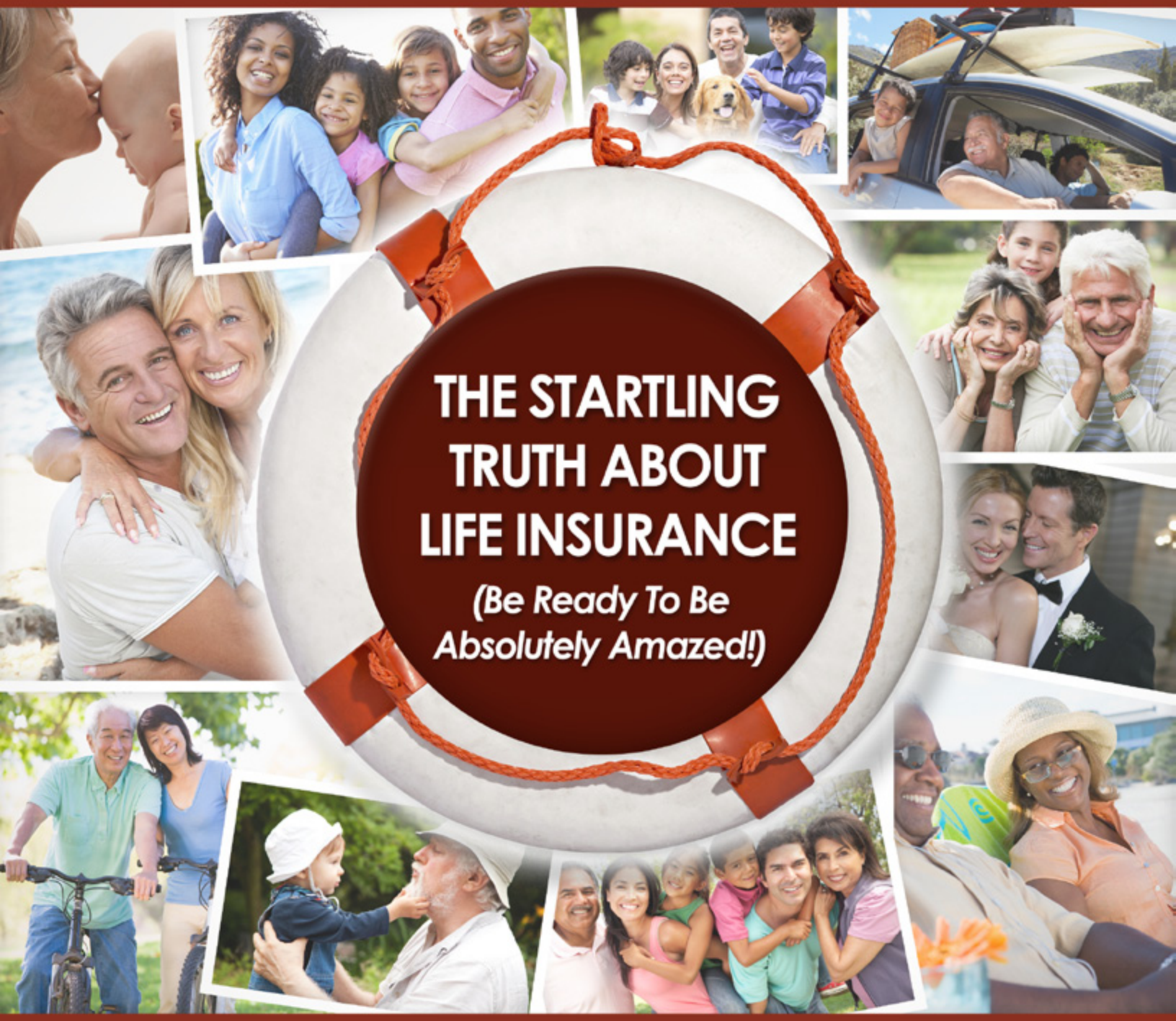
Safe Money Concepts



Fred Maiden Insurance Agency
2 Corpus Christie Place, Suite 205, Hilton Head, SC 29928
Office Phone: (843) 376-5034
Email: fredmaiden@fredmaidenins.com

FRED MAIDEN INSURANCE AGENCY

Safe Money Places™ AGENT NETWORK

INTRODUCTION

It's hard to say where and when most of us got our information about life insurance, but one thing is certain: **Not everything you may have believed about life insurance applies to what it is today** and what it can do for you in the future. *(Spoiler Alert: This is really good stuff, so, please take a few minutes and read on!)*

No matter how old you are now, you probably have retained several ideas about life insurance from the information your parents explained to you when you were very young, from something you've read online, in a direct mail advertising piece or even from seeing a TV commercial, or perhaps you've actually spoken with an insurance professional. The subject of life insurance is, first of all, not really exciting for most "non-insurance professionals" to discuss, and, second, life insurance isn't something most of us want to think about anyway!

But, **we all can agree that planning for the financial well being of our families is certainly a subject we should give some serious thought to.** And that's the purpose of the following information – a serious though not complicated look at "the truth about life insurance" and why it's important to you.

QUESTIONS TO ASK YOURSELF

First of all, let's get one simple truth out of the way right now … it's not a pleasant thought, but it is a necessary one: **Life insurance is about what a person is going to leave to his or her heirs after he or she dies** (and that "what" means m-o-n-e-y). But, life insurance can be much more than that; in fact, life insurance can be a way to build up a personal fund that you may use yourself BEFORE you die.

Buying life insurance can be very confusing because, today, you have so many choices. If you've ever thought about "What is the best type of life insurance to own," the simple and best answer is "The type of life insurance that is in force on the day your heirs need it!" That may sound like some salesperson's quick retort, but it is really The Truth! However, most Americans have many, many other questions bouncing around in their minds when they get around to giving serious thought to buying life insurance.

Here are a few of those important questions:

- ***"Which type of policy should I buy?"***
- ***"How much coverage do I need?"***
- ***"How long will I need that coverage for?"***
- ***"How much will I be able to afford to spend on life insurance?"***

These questions are both "technical" and "non-emotional." But, underneath, there are "emotional" and "real" questions that deserve truthful answers to help you decide what to do to protect your heirs (family or others) financially when you leave this earthly plain. For example:

- **If you're married**, you might be asking, "How will my spouse pay our mortgage and any other debts I leave behind?
- **If you have children**, you're probably wondering, "What about my children's education?"
- **If you and your spouse are somewhat older**, you may be worried about "What happens when one of us dies and the smaller social security checks disappears? How will my spouse make up for this loss of income?"
- **If you own and operate a business**, you're undoubtedly worried about, "How will my business continue after I'm gone? What will my heirs do without my help in running the company? Where will they find the money to hire and who will be my replacement?"

BASIC CONSIDERATIONS

Real questions, again, that deserve real and truthful answers. Got your attention? I hope so. Please read on.

Though it's not pleasant to think about dying, all of us must give some thought to the fact that none of us is "getting out of here alive!" But not buying life insurance can be among the worst decisions any of us can make … it could prove to be absolutely devastating to those loved ones we leave behind. In a very real sense, and in the simplest form possible, just think about giving your loved ones the ability to "buy some time" after you go, because, unfortunately, sometimes death comes unexpectedly, without any warning whatsoever, and leaves in its wake mental, emotional, and financial havoc.

Here are a few basic considerations, many of which you've probably thought about at some point in your life:

- **"What about final expenses?"** If nothing else, you can purchase a Final Expense policy that covers all of these immediate needs.
- **"Should I leave some sort of 'readjustment' money for my spouse and children to get them through those first few traumatic weeks and months?"** You can provide money to protect your spouse and dependent children during this period. You can even arrange to have insurance to pay off your home mortgage, usually the largest debt most families face.
- **"What about taxes when I die? Will taxes wipe out my estate so that my family gets very little?"** Wealth Transfer is a tax-efficient method to protect your heirs legally from losing a large percentage of your estate to the taxman. And, if you are leaving a very large estate, you can actually provide life insurance proceeds to pay federal and state estate taxes!

OTHER USES FOR LIFE INSURANCE

Again, you've probably given some thought to how your heirs will be able to use the proceeds from your life insurance, but you might not have considered these specific uses:

- **Business Planning**
- **Gifting to Charities**
- **Building Wealth for Those You Leave Behind**

Yes, life insurance can help you with these important matters, too!

Other ideas you should consider when making your decision about what type and amount of life insurance you should buy involve legal ramifications, and you should involve both your insurance professional and your family attorney. For example:

- **Who will be the owner of the policy?**
- **Will the policy become part of my estate, and, if so, can I eliminate that risk?** Is that an important question?
- **What about my child owning a policy?** Can I place restrictions on my minor child's ability to access the funds until he or she reaches a certain age?
- **Should I set up a "trust" to own my policy?**
- **How should I designate beneficiaries?** For instance, did you know that, in most cases, "beneficiary designations" trump (override) anything you put in your will? And what is a "contingent" beneficiary?
- **Is it possible to borrow money from my Permanent Life Insurance policy and receive withdrawals without being penalized?**
- **Can I exchange policies for another without having tax consequences via the 1035 exchange?**

The answer to most of these questions is a qualified "yes!"
Again, you should consult with your insurance professional, your family attorney, and perhaps a professional tax advisor as well.

TWO CATEGORIES OF LIFE INSURANCE

As we mentioned above, when most folks think about life insurance, they usually think about the amount of the "**death benefit**" – how much money they are going to leave to their spouse, children, grandchildren, or other heirs. **The kinds of life insurance, however, fall into two (2) categories – "term" and "permanent,"** and within each category are several different "types" of insurance. People choose to buy one or more of these types of insurance depending on their personal life situations, for example: Do they have family members they want to care for financially after they die? Is there a charity they wish to fund with money – a worthy cause, such as a church, school, municipal project (like a park or a community center)?

When you have a few minutes, watch our Safe Money Minute video about "The Best Type of Life Insurance" and consult with your life insurance professional who can give you much more detailed information about the following "Common Types of Life Insurance." For now, here is a brief description.

TWO CATEGORIES OF LIFE INSURANCE

TERM LIFE INSURANCE

It should come as no surprise to you that "term" life insurance involves "time," that it pays a death benefit to your heirs only if you (the insured) die during a specified period.

Here are five (5) different types of Term Life Insurance:

Level Term: Simply stated, Level Term provides you with a fixed amount of coverage (the amount of money the policy is worth to your heirs) with premiums (your cost of owning the life insurance) that are also fixed over a defined period – usually in ten-year increments up to thirty (30) years.

Decreasing Term: With this type of life insurance, your coverage decreases throughout the term; however, your premiums remain level (the same).

Renewable Term: This type of life insurance could be very important to you, especially if you have health issues later in life, because with Renewable Term, you (the policy owner) have the right to "renew" the insurance coverage at the end of the specified term without having to "prove" or submit evidence of your "insurability."

Convertible Term: With this type of life insurance you (the policy holder/owner) have the right to convert your term policy to a permanent policy (more on "permanent" insurance in just a moment).

Group Term: The key word is this type of insurance is "group," and it refers to the type of life insurance an employer or professional organization, for example, offers to its employees or members. Since Group Term Life Insurance is intended to cover several to possibly hundreds of people, it usually results in each person paying a reduced premium; however, most Group Term policies are not portable which means that the coverage ends when you cease employment or membership in the group.

PERMANENT LIFE INSURANCE

The two primary differences between Term Life and Permanent Life insurance are: Permanent Life Insurance provides you with coverage throughout your entire lifetime, and it may include a way for you to build "cash value in your policy.

TWO CATEGORIES OF LIFE INSURANCE

Before we get into four (4) types of Permanent Life Insurance, here are three general terms you should get to know:

Traditional Whole Life Insurance remains in force during the insured's entire lifetime, provided that someone (the insured person or someone he or she chooses) pays the premiums as specified in the policy. Whole Life may also include a way for you (the policy owner) to accumulate growth (also called "building cash value). Furthermore, with participating in a Whole Life Insurance policy, you can also earn a dividend ("extra money" paid to you by the company according to the policy's terms).

Universal Life Insurance can best be understood in terms of its flexible premiums, its flexible face amounts, and its unbundled pricing factors. Again, ask your insurance professional for more specific details on these three characteristics of Universal Life Insurance. Furthermore, it's important to know that though Universal Life offers tremendous flexibility, it also lacks the guarantee that Whole Life Insurance provides. One other important feature: No Lapse Guarantee Universal Life has the same features as Universal Life but also has a guarantee that, as long as the premiums are paid on time, the policy will never lapse.

Variable Life Insurance is a form of insurance under which the death benefit and the cash value of the policy fluctuate (change) according to the investment performance of separate account investment options.

Now, let's take a look at the four (4) other types of Permanent Life Insurance:

Indexed Universal Life Insurance: Indexed Universal Life Insurance is a form of Permanent Life Insurance that combines the premium and death benefit flexibility of Universal Life Insurance under which the policy's cash value's current crediting rate is based in part on the performance of a "financial index" – a specific kind of financial table that fluctuates up and down over the years. Most Indexed Universal Life Insurance policies, however, offer guarantees that if the index is negative (goes down), the "crediting rate" will NOT go below zero. Again, your insurance professional can fill in the important details for you about this type of insurance.

Variable Universal Life Insurance: This type of permanent insurance combines the premium and death benefit flexibility of Universal Life Insurance with the "investment flexibility and risk" of Variable Life Insurance and what is called Universal Life.

TWO CATEGORIES OF LIFE INSURANCE

Last Survivor Universal Life Insurance: Also known as "survivorship" or "second-to-die" life insurance, this type of permanent life insurance covers two (2) people (e.g., a husband and wife) and provides for the payment of the death benefit proceeds only when both insured's have died. The primary purpose of this type of insurance is to pay estate taxes.

Single Premium Life Insurance: With this type of insurance (often abbreviated as SPL), you may purchase Whole Life, Universal Life, or Index Life insurance with a single, lump-sum premium.

IN SUMMARY,

Life insurance is one of the most valuable properties in your financial portfolio. As one of the most brilliant insurance professionals once said, "It is truly the miracle of ink and paper" when it comes to planning for the financial well being of your loved ones! Yes, a piece of paper and a drop of ink create an immediate estate for you. It allows people who are dependent upon you financially to stay in the world that they have become accustomed to … some people call it "the greatest love letter you could ever write!"

Seek the truth about life insurance, please call Fred Maiden Insurance Agency at (843) 376-5034