

UNDERSTANDING WHAT LIFE INSURANCE POLICY IS RIGHT FOR YOU

LIFE INSURANCE GUIDE



WORLDWIDE COVERAGE

Buying Life Insurance

When buying life insurance, the most important consideration is purchasing a policy that best satisfies your underlying need. Life Insurance can help resolve multiple personal and business situations and understanding the different policy options available as well as how much life insurance you need is the first step.

The first question to ask is what is the purpose for the coverage? Keep in mind the major reason for purchasing life insurance is to cover the financial impact of an untimely or unexpected death. However life insurance can be used as a planning tool, some common strategies with life insurance are:



- **Family Protection/Income Replacement.** Life insurance can provide a source of income if you have children or family members dependent on you for financial support.
- **Supplement Retirement Income.** Life insurance offers not only an income tax free death benefit to beneficiary(s) but also tax deferred cash value growth. This cash value can be taken out and used as part of a retirement plan.
- **College Planning.** As tuition costs continue to rise, protect your children's college savings and cover the future costs of education by adding life insurance coverage.
- **Real Estate/Mortgage Protection.** Cover the unpaid or remainder balance of your home mortgage or real estate loan. Typically, enough insurance is purchased to pay off the principle amount of the loans and not any future interest.
- **Estate Planning/Final Expenses.** A life insurance policy is a great way to give your loved ones the means to cover your funeral or burial costs as well as the ability to honor any final bequests. Estate tax concerns are another big reason for coverage, the life insurance proceeds can be used to help pay the tax due or replace any assets lost to taxes.
- **Children with disabilities.** The death benefit can be used to fund a trust that will provide for a child with disabilities after the death of the second parent or guardian.
- **Business Continuation.** Life insurance is not only a personal planning tool. It can be a valuable tool for business as well. Protect an important or key person in the company or ensure smooth transfer of ownership upon an owner/shareholder's death, disability, or retirement with a buy sell agreement funded with life insurance.
- **Key man insurance.** A business is only as good as the people it has. A loss of a key person or employee can be devastating to the continued success of a company. A life insurance policy insuring these skilled and crucial individuals can help safeguard a business's operating and economic security.

These are just some of the ways life insurance can help with your long term financial goals.

Types of Life Insurance

Life insurance can be broken into two basic categories, term insurance and permanent insurance. One fundamental distinction between the two is permanent insurance builds cash value throughout the life of the policy and term insurance does not. Another is a term policy provides insurance coverage for a specified number of years, while permanent policy as the name states, offers lifetime coverage.

Term Insurance covers you for a specified time period or term (usually 10-30 years). The death benefit is paid only if you die within the term of the policy. Term insurance premiums are much lower since the coverage is not lifetime and the policy generally does not build any cash value. Most term insurance policies offer a conversion period in which you may change your term policy for a permanent or cash value policy. This option can be valuable if you need to maintain the insurance protection.

Permanent or Cash Value Insurance offers insurance protection for the life of the insured and a portion of the premium is invested by the insurance company, which grows and is credited to the policy as cash value. This feature gives the policy owner much more versatility, allowing policy owner to borrow against the cash value. Cash value can be used to maintain your policy in force for a limited time or buy a reduced amount of insurance without paying additional premiums. Also if your needs for the insurance changes, you may surrender your policy and withdraw the policy cash value.

The several types of Permanent Insurance:

Whole Life Insurance is the traditional form of permanent insurance and provides life time coverage as long as your premiums are paid. Premiums are generally level and can be paid for as long as you live or can be set up for shorter periods such as 15 or 20 years. These policies earn dividends which along with the cash value are used to continue paying the premium for the life of the policy.

Universal Life Insurance is a flexible kind of policy that lets you adjust your premium and the amount of coverage. The premiums you pay (less expenses) go into the policy account and earn interest. Coverage will remain in force as long as your premiums plus earned interest is more than the policy charges to the account. Within the universal life category, there is Guaranteed Universal Life policies, which provides fully guaranteed premiums and death benefits. Also Index Universal life, which has an investment component tied to the different market indices such as the S&P 500, Hang Seng, and Euro Stoxx.

Variable Life Insurance provide lifetime coverage and builds cash value, however both depend on the performance of one or more investment accounts within the policy. Your investments performance will determine how much your death benefits increases and how fast your cash values will grow. There are variable policies which offer a guaranteed death benefit for a higher premium. It is important that you review the company's prospectus when purchasing a variable life policy.

Once you have a better idea which type of policy meets your goals, the next important step is how to determine the right amount of coverage.



How Much Coverage, is The Right coverage?

To determine the amount, we have to know the purpose or need for the insurance. When using life insurance for an income replacement/protection tool, you need to consider:

- Are you the only or prime source of income? How will your family deal financially in the event of your death? Who will cover you final expenses?
- A family member such as a parent, grand parent, or other extended family that you would want to care for after death?
- Is there enough money to cover children's education costs or outstanding long term debt such as a mortgage?
- Are there any estate tax considerations that need to be addressed?

When trying to determine the necessary amount of coverage, it is important to also consider any existing life insurance in your calculation.

Tips to Remember

- Choose a policy that fits your needs and financial objective
- Familiarize yourself with the financial ratings of prospective companies
- Be clear on the premium amount and number of years
- Always read your policy carefully and ask your agent to clear up any concerns or questions.
- Review your coverage at least once every 2 years to keep up with lifestyle, family or business changes.
- Do not cancel or replace existing coverage without having a new policy in place. Make sure you review all options thoroughly before deciding on replacing your policy.



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Need Assistance in obtaining Life Insurance?

Your life insurance need depends on your financial, family, marital, and business situation, it is best seek the advice of a qualified insurance agent when you are ready for a life insurance analysis. Please feel free to contact us and we will be glad to answer any questions and provide information on the many different companies and products we offer.

We will provide complete life insurance illustrations to help you better understand how the policy works. The illustration will show how non-guaranteed policy values change during the life of the policy **and explain how interest rates, policy dividends, and other factors may affect those values.**

Atlas Insurance Partners LLC
AIP

Phone: (1) (954) 318-7940
Email: info@atlasinsurancepartners.com

Sunrise, Florida United States

