

BACK TO BASICS: PERMANENT LIFE INSURANCE OPTIONS

Life insurance options vary depending on a variety of circumstances, related to both the policy buyer and the insurance industry. Whether you are reviewing existing policies or purchasing a new policy, it may be time to get “back to basics” with an overview of the choices available for permanent life insurance.

Universal Life is intended to provide permanent insurance coverage with greater flexibility in premium payment. These insurance policies offer the flexibility to adjust your premium payment and change the death benefit. For families who may experience fluctuations in their ability to pay, this can be an important consideration.

Most importantly, unlike a few years ago, this product is guaranteed as long as you pay your premiums.

Term Insurance provides coverage at a fixed rate of payments for a limited period of time. Since it builds no cash value, term insurance policies cost less than other insurance policies. Term insurance comes in various forms, including return of premium term, which offers a bonus if you live longer than the policy.

However, yearly renewable term has premiums that may rise each year and level term has premiums that rise only after the initial guarantee period. As a policy holder ages, term insurance policies become increasingly expensive.

Whole Life provides for a level premium and has a cash value table guaranteed by the company included in the policy. Unlike term life insurance, whole life

insurance policy premiums will not increase during your lifetime if you pay the planned amount and repay any policy loans. This product has a savings feature (cash accumulation value) which grows tax-deferred. These contracts can build up enough cash value to allow you to stop paying premiums by a certain age (which varies by policy holder), or to borrow from the cash value.

Keep in mind that whole life insurance offers no flexibility; the insurance company controls how and where your premium dollars are invested. The plan you initially purchase is fixed for life and offers no premium or death benefit flexibility. It does not easily adapt to insurance and/or retirement plan changes.

Variable Universal Life offers the ability to invest in separate accounts (stocks and/or bonds) whose values vary. Variable universal life insurance policies offer a hedge against inflation since their performance is based on the securities markets, which can keep the cash value on pace with rising costs of living. It offers the flexibility to choose the funds in your plan, your premium payments, and the ability to withdraw or borrow money. It also has death benefit flexibility.

This product’s premiums must be high enough to cover the cost of insurance, mortality and expense charges, and the expenses associated with the investment accounts inside the policy. The policy’s success depends on your investments and management of the underlying investment accounts. Since long-term investment goals provide the best

outcome for this policy, it may be better suited for a younger individual.

Equity Indexed Universal Life offers the policy holder the opportunity to allocate cash value amounts to a fixed account or an equity index account. These insurance policies combine the benefits of universal life policies with an indexed investment feature. They also offer a fixed interest rate portion.

This policy comes equipped with slightly higher risk than a traditional universal policy. In addition, it has a maximum rate you can earn called a cap rate, which changes periodically and limits the product’s potential upside.

Your life insurance professional can help you choose the most effective product to protect your personal and business assets. It’s important to work with professionals who will assess your needs and design insurance solutions to meet your current and future goals. Contact us to learn more about Cohn Wealth Management’s objective insurance services.

Laurence F. Ziff, a J.H. Cohn LLP principal, is President and Director of Insurance Services at Cohn Wealth Management, a comprehensive wealth management firm specializing in investment, insurance, tax, estate, and financial planning, as well as risk management. Cohn Wealth Management is one of J.H. Cohn’s affiliated companies. He can be reached at lziff@jhcohn.com or 973-618-6276.



The statements, opinions, and conclusions contained herein are based solely upon the author's own studies, research, and personal experience. Neither J.H. Cohn LLP, Cohn Wealth Management LLC, nor the author makes any representation or warranty as to the accuracy or completeness of this information. J.H. Cohn LLP, Cohn Wealth Management, and the author expressly disclaim any liability for any loss or damage which may be incurred, of any kind whatsoever, as a result of or arising from the use of any of the information contained herein or reliance on the accuracy or completeness of it.

 **COHN**
Wealth Management LLC
Registered Investment Advisors