WHY CHOOSE TERM LIFE INSURANCE?

Do you have dependents (people who rely on you) or plan on having dependents?

THEN YOU NEED LIFE INSURANCE!

It's not the most glamourous topic of all time, but it really is important and something that I am personally passionate about.

When we look at the grand scheme of things, there are really two main types of life insurance: Term Life Insurance & Whole Life Insurance. The first kind mentioned is the ONLY one I recommend and the one that I use personally for my family.
The second is a product that I do not like and will not recommend to anyone.

SO LET'S TALK ABOUT THEM...

WHAT IS TERM LIFE INSURANCE?

Term Life Insurance covers you for a specific amount of time. For example, if you get a 25-year policy, you're covered for that 25-year term. Hence the name "Term" Life Insurance? If you die at any point during those 25 years, your beneficiaries (the people you picked to inherit your money) receive the death benefit payout from your policy.

Term Life Insurance plans are ridiculously more affordable than Whole Life Insurance Plans because Term Life plans have no "cash value" until you die. In other words, the policy is not worth anything unless the owner dies during the course of the Term.
STAY WITH ME...

Obviously no one wants to utilize their Term Life policy, but God forbid if something does happen, you want your spouse and/or kids to be taken care of. The last thing they need is for you to be gone and them be wondering how they are going to pay the electric bill.

YOU BUY A 25-YR TERM POLICY FOR $1,000,000

YOU DIE WITHIN 25 YEARS

YOUR LOVED ONES GET $1,000,000

WHAT IS WHOLE LIFE INSURANCE?

If you guessed that it is coverage that lasts your entire life, then you win a prize. They are usually wayyyy more expensive than Term Life plans because they last your entire life and offer more than insurance alone.

When choosing your Whole Life product, you will work with your agent to decide upon a death benefit. Just like with Term, this would be paid to your beneficiaries should you die during the policy. You will pay monthly premiums (like with Term), and as long as you pay those premiums, your insurance stays intact.

Part of your premium goes towards the death benefit. The other part of your premium will go into what's called the "cash value" portion of your policy, and the longer your policy lasts, the more cash value that is built up.

Many Whole Life policies give you a guaranteed rate of return on your investment, but the only way this is possible is because they invest your money in ways that bring back a very low return on average. Because the returns are so low, they can guarantee them to the policy holder.

LET'S BREAK DOWN WHOLE LIFE POLICY EVEN MORE:

1. YOU PAY YOUR PREMIUM

Every month a portion is going to the cash value. The amount allocated towards cash value varies yearly. Usually early on, more is allocated towards cash value, and then in the later years more is allocated towards the policy since your chances of dying become greater.

2. YOUR CASH VALUE GROWS VERY SLOW OVER TIME

You are going to get a garbage rate of return on your money. After you've built some up, you can choose to borrow from it, surrender it, or leave it as it is (they all have downsides we'll talk about shortly).

3. YOU GET TO THE MATURITY AGE

The maturity age for most policies is set at 120 years old. So, if you make it to 120, you can FINALLY cash out and get a check for your cash value!

4. IF YOU DIE BEFORE MATURITY, YOUR CASH VALUE DISAPPEARS

If you don't do anything with your cash value while you're alive, the insurance company keeps it all. Yes, your family still gets the death benefit like they would with Term Insurance, but all of the cash value disappears.

CRAZY RIGHT?
SO HOW CAN YOU USE YOUR CASH VAILUE?

1. YOU CAN TAKE OUT A LOAN AGAINST IT

Like any loan, you'll have to pay interest to borrow your own money. Say what???
But it gets worse. If you do not pay the money you borrow back, the insurance company will deduct it from your death benefit. And now your family takes a hit when you're gone.

2. YOU CAN SURRENDER YOUR POLICY

This is where you tell the insurance company that you want to cash out or "surrender" your policy, and they send you a percentage of the cash value. How much you get depends on the policy type, the fees the company charges, and how long you've paid into it.

SIMPLY PUT

THE HOUSE COMES OUT ON TOP
LIKE THEY ALWAYS DO.

STEER CLEAR

HOW IS WHOLE LIFE DIFFERENT FROM OTHER TYPES OF PERMANENT INSURANCE?

Like Whole Life Insurance, Universal and Variable Life are also what we call permanent insurance - meaning they stay in place for the long run and grow cash values. The main difference between Whole, Universal, and Variable life? The way the cash value grows.

UNIVERSAL LIFE INSURANCE

Universal Life allows you to be more flexible by choosing the amount of premium you will pay within a certain range. The minimum amount is determined by the cost of insurance, which includes death benefits and admin fees.

Anything you pay over this is added to the cash value which is promised to grow at a minimal interest rate set by the insurance company (though it can grow faster depending on market performance).

Many people choose to pay the maximum premium possible, which is set by the IRS, in the early years in order to build a larger cash value. They then use that cash to cover premiums later in life. But this is can get risky move since the cost of insurance is certain to increase the older you get! The question is, will you have enough cash value to cover it?

VARIABLE LIFE INSURANCE

Unlike Whole and Universal Life, Variable Life allows you to decide how your cash is invested. You can invest in stocks, bonds, etc. that generally will provide a higher rate of return than Whole Life policies. But you run the risk of losing it all. Plus, don't forget about the downfalls of trying to access your cash value in the process - even if you were to hit it big with the investments.

TERM INSURANCE VS WHOLE LIFE INSURANCE

Term Life does what it's supposed to do, and that's offer you insurance in case something terrible happens.

The goal of insurance is to provide peace of mind, security, and protection for your loved ones should the worst happen- and that's what Term Life will do.

Whole Life tries to be and do too many things, and it's at the expense of the customer. You will pay 10x-15x more a YEAR for whole life insurance than you will for Term Life insurance. And for what? A cash value that is hard to access and gives crap returns?
NO THANKS!

WHAT I RECOMMEND

Get a Term Life Insurance policy for 20-25 years in length and make sure the death benefit coverage is around 10x-12x your annual income. If you do this, you will be set. Life insurance is not meant to be permanent. It should be an affordable tool in your wealth building tool belt that covers you for the next 20-25 years until you do not need it any longer.

By eliminating bad debt and investing in smart assets over the next few decades, you will have accumulated much more wealth than you would have by throwing money away into a Permanent Life Policy your entire life.

ELIMINATING BAD DEBT + INVESTING IN SMART ASSETS = MORE ACCUMULATED WEALTH

God forbid if something were to happen to you 30 years from now, but if it did, your kids will more than likely be out of the house, and because you will have been smart with your money and setting yourself up financially, life insurance probably wouldn't be a necessity any longer.

To learn more about choosing the right life insurance for you and your family, reach out to me directly, and I will be glad to talk more in depth with you. My company, The Peacock Agency, works with multiple Term Life Insurance Carriers to offer our clients the best coverage and rates.

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