

Premium Choices

Focus on Growth

Universal Life products offer policy cash values that grow on a tax-deferred basis and can be used while you're living. Indexed Universal Life products offer multiple indexes and crediting methods. Plus, the index account has a zero percent floor – the value in the index account does not decrease due to a negative market. So, even though indexes are subject to caps, a negative performance won't inhibit earning potential. Most IUL products offer interest bonuses on both the fixed and indexed accounts, which reward clients with a long-term focus.

Determining the Optimal Premium

Deciding how much life insurance protection you want is an extremely important decision. Equally important is the decision of how much premium you choose to pay. An illustration provided by your agent contains information to help you make an intelligent, informed decision.

With most kinds of insurance, the optimal premium is usually the lowest premium. You want to pay as little as possible for the benefits you desire. However, permanent life insurance is different; it adds an accumulation element to the traditional protection element. There can be considerable benefit to paying as much as you can because the rewards for paying more are ever increasing. The reason this happens is the first premium you deposit covers most of the expense and mortality costs. Extra dollars can accumulate as the policy's cash value on a tax advantaged basis. Funding your life insurance policy at a higher premium precludes this money from being contributed elsewhere in your financial strategy.

Potential Results of a Maximum-Funded Policy

By not paying the lowest premium possible, you take control of your insurance program. You give yourself more options down the road. Some options could be:

- quit paying premiums when you retire,
- maintain your insurance coverage through retirement for estate expenses, charitable gifts, or other special needs,
- purchase a big ticket item for cash, such as an automobile, and choosing to make the payments back to the policy rather than to a bank,
- assist with college education costs,
- draw an income during your retirement years, or
- create more certainty that your insurance program will do what you intend it to do.

When your agent is knowledgeable about structuring a life insurance policy to be compliant with the IRS guidelines on modified endowment contracts, it allows policyholders to withdraw funds from the policy on a tax-advantaged basis.