and the mortality risk increases. Should the insured decide that the policy is no longer needed, he or she may surrender the policy to receive the cash value. However, that amount will be much less than the death benefit.

Universal life is similar, but it offers greater flexibility than a traditional whole life policy. With universal life the insured may be able to increase the death benefit, or adjust the premium payments. If premium payments are reduced, the difference is made up through withdrawal from the cash value of the policy. Sounds good, and in many cases this approach allows a policy to be maintained in difficult economic times. However, if the cash value is exhausted, the premium payments must be resumed, or the policy will lapse.

Variable life injects an investment aspect into the cash buildup of the policy. The insured may choose from a variety of pooled investment programs, that satisfy his or her risk/reward parameters. Variable life policies offer the possibility of investment returns superior to those in traditional whole life products, but they also bring the possibility of higher risk. Some policies nevertheless offer a minimum death benefit, regardless of market performance.

Variable-universal life policies combine the flexible premium approach of universal policies with the investment aspects of variable life into a single product.

The cash value of a VUL policy is not guaranteed. The investment return and principal value of the variable subaccounts will fluctuate. Your cash value, and perhaps the death benefit, will be determined by the performance of the chosen subaccounts. Withdrawals may be subject to surrender charges and are taxable if you withdraw more than your basis in the policy. Policy loans or withdrawals will reduce the policy's cash value and death benefit and may require additional premiums payments to keep the policy in force. See your financial professional to learn more.

There is a surrender charge imposed generally during the first 5 to 7 years that you own the contract.

Withdrawals prior to age 59½ may result in a 10% federal tax penalty, in addition to any ordinary income tax. The guarantee of the annuity is backed by the financial strength of the underlying insurance company. Investment sub-account value will fluctuate with changes in market conditions.

Investors should consider the investment objectives, risks, and charges and expenses of the variable life policy carefully before investing. The prospectus contains this and other information. Contact the issuing company to obtain a prospectus.

Read the VUL Prospectus Disclosure to learn more.

Your Photo:
Optional

Your Name
Your title

Located at:

Your Institution's Name
Street Address
City, State Zip
Phone number
Email address

Your logo may appear here.

FINANCIAL EDUCATION SERIES

What is Life Insurance?

Your logo may appear here.

What is life insurance?

What happens to your family if something happens to you? Life insurance is a mechanism to mitigate that situation, so a personal and emotional loss doesn't become a financial catastrophe as well.

The most important function of life insurance is to replace income for one's dependents. The need is obvious in the case of couples with young children, but it may be no less important for adults who are dependent on another for support. Other uses for life insurance include:

- paying funeral and burial costs, as well as final medical expenses;
- providing an inheritance for one's heirs;
- paying federal estate taxes and state death taxes, if any;
- making a substantial gift to charity; and
- with some life insurance policies, creating a source of savings to draw on during retirement.

Adequate coverage

Someone who has no dependents, who has enough funds to cover final expenses, may not need any life insurance at all. That is not the usual case, however.

Determining the proper amount of coverage is no simple matter. Replacing one's income will not be adequate if a death also means the loss of the family's health insurance coverage. The expense of replacing that coverage must be factored in. If there are minor children, the cost of college education is also usually a consideration.

Your Broker-dealer disclosure will appear here.

Offsetting the expense side are other sources of income, such as Social Security, the availability of other assets, and the possibility that the survivors will be able to find employment.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable by having the policy approved. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Term insurance

Broadly speaking, there are two categories of life insurance, term insurance and permanent insurance.

Term insurance provides temporary coverage, a stated death benefit, for a specific number of years. The premium is set when the insurance policy is purchased, and it remains level throughout the term in most policies. The younger the insured is at the outset, the lower the premiums will be (but the longer they will be paid). The term may be for a single year, for five, ten or more years, or until a specific age is reached, usually 65.

At the end of the term, the policy may be renewed for a higher premium. Some policies are guaranteed renewable at the end of the term, regardless of the health of the insured at that time. That can be an especially valuable stipulation for one who is older when a term expires. Similarly, some term policies are convertible; that is, the owner has the right to convert to permanent life insurance without providing proof of insurability.

Return of premium. With auto and homeowner's insurance, one hopes to never have to make a claim. The premiums have purchased protection, and there is no refund. In contrast, some term life insurance policies have a "return of premium" feature, under which, if the premiums are paid for the entire term and the insured does not die, the premiums paid are refunded. However, this feature increases the cost of the policy. Some policies return the entire premium, but others only return the base premiums, not the costs of the return benefit.

Which approach is right for you?

Term insurance	Permanent insurance
Temporary coverage, for a specific period of need	Coverage for a lifetime
A large death benefit may be had for a relatively modest cost	Generally will be significantly more expensive
No savings element	A cash buildup may accumulate over time. Savings may be borrowed, used for future premiums, or used for other purposes.
May be renewable at end of term	Not applicable
May be convertible to permanent insurance	Not applicable

Source: M.A. Co.

Permanent insurance

Where term insurance provides financial protection during a period of vulnerability, such as when children are growing up, permanent insurance is designed from the outset to continue until the insured dies. Permanent life insurance couples a death benefit in case of premature death with a savings feature that enjoys some tax protection. There are many types of permanent life insurance.

Whole life insurance is the original form of permanent insurance. Premiums are level for life, which provides predictability for financial planning and budgeting. A cash value builds up inside the policy, which is why premiums don't go up as the insured becomes older