

## Universal Life Insurance

Universal Life (UL) is sort of a hybrid between whole life insurance and variable life. UL is the most flexible type of life insurance because of the fact it does not technically require that a premium be paid into the policy every year (out of your pocket) and because the investment returns are much more stable than a variable policy. Premiums can be paid in a lump sum, annually, or anywhere in between.

Interest on the cash value is usually guaranteed but will vary according to the investment performance. Each month deductions are made from the cash value in the policy to pay for the costs of the insurance protection. As long as the cash value is substantial enough to maintain the monthly costs, the policy will remain in force. The key to any form of Universal Life is that it is interest sensitive and allows for an adjustable death benefit.

### **Why do we like Universal Life (UL) best of all?**

In two words: flexibility and guarantees. We like to build in options for clients that are based on a stable footing. With a UL policy, the cash in your policy usually has some minimum guaranteed rate of return (2-4% typically). Because of the flexible way you can pay your premiums and the fact that it is easy to lower the death benefit if necessary, a UL policy very simply provides a client with the most options (which helps protect a client from market swings and poor earning years).

Finally, with the new UL policies, companies are offering a **guaranteed death benefit**, which previously could only be purchased with a more expensive whole life policy.

### **Our recommendation**

Unless you just have to have the action of the cash in your life policy in the stock market (with no guarantee), we recommend a UL policy for your life insurance. The long-term costs are less than a variable, and you insulate yourself from down markets.

If you need permanent life insurance, a UL with a guaranteed death benefit will usually be significantly less expensive than the traditional whole life policies everyone is used to purchasing.

We would like to leave you with the following thought on UL policies -- they are not all created equal. You can go to ten different companies and get ten different kinds of UL policies with different costs, different guaranteed returns, and different upper-end crediting amounts on your cash value.

## **Shop your insurance**

When all else fails, work with an agent who is able to work with many different life insurance companies so you will get access to several different policies in an effort to choose the best one. Many agents are only able to work with one insurance company because of an exclusive contract. These agents are what we call captive agents. Most agents that are not captive agents can sell with more than one company but typically place their business with one company anyway because the more business they place with that one company the better their commission overrides are and, therefore, the more money they make.

As much as we would like to think insurance agents are doing what is in our best interest, we would say the vast majority of the time they are doing what is in their best interest.

In our opinion and after reviewing many in-force life insurance policies, we can confidently say that a significant portion of the life insurance in force out there has been incorrectly placed. By that, we mean the client was sold the wrong type of policy, too much or too little death benefit, and, worst of all, a majority of the time, we have been able to show a client why the policy they currently have is just far more expensive than it needs to be. This may sound strange, but life insurance is about the only industry we can think of that has had its costs lowered over the years. People are living longer and, taking into account inflation, insurance costs are less today than they have ever been.

So if you have not had your life insurance policy re-examined, you should do so with an insurance agent you trust. And, lastly, if you have a policy from a company that traditionally sells auto insurance or homeowners' insurance, the chances are significantly higher that the premiums you are being charged by that company are not competitive with life only companies.

If you would like a free analysis of your life insurance policy to determine if you have the right type of policy at the lowest possible rate, please feel free to contact our office.