

Life, Health, & Wealth

Whole Life Insurance – You Don't Have To Die To Benefit

Like other financial instruments, life insurance offers an array of products and benefits designed to meet specific needs. Its primary purpose is to provide income for your dependents in the event of your death. However, some insurance plans offer “living benefits” that can be advantageous during the lifetime of the policy. In simple terms, life insurance products fall under two categories - Term Life and Whole (or Permanent) Life – offering significantly different benefits.

Term Life Insurance

Term Life insurance provides coverage for a specific period of time (e.g., the duration of a mortgage) and typically has no “living benefits.” Its purpose is to provide cash proceeds to your beneficiary if you die during the term of coverage.

Whole Life Insurance

Whole Life insurance provides coverage for a lifetime with premiums remaining constant regardless of your increasing age or declining health. And, while the cost of Whole Life insurance is usually higher than Term Life, it can feature a number of “living benefits” in addition to its primary purpose of providing a death benefit, including:

Nonforfeiture Options

Unlike Term Life policies that simply lapse if premiums are not paid by the end of the grace period, Whole Life insurance typically provides three guaranteed options that recognize the equity you have built up over

time in your policy. In the event you stop paying your premiums, you can choose one of three options that reflect the investment (premiums) you've made in your insurance plan:

a) You can surrender (terminate) the policy and receive its guaranteed cash value. Your policy contract and regular statements from your insurance company will confirm the cash value at any given time. When you surrender your policy and receive the cash value proceeds, the policy is no longer in force and there are no benefits to be paid to your beneficiary at your death.

b) The premiums you have paid to date can transfer to the purchase of extended paid-up Term Life insurance (usually a default option), with the length of term reflecting the equity in your current policy. No further premiums are payable.

c) The premiums you have paid to date allow you to

purchase a reduced amount of paid-up Whole Life coverage. The face value will be considerably lower than your original coverage and, again, no further premiums are due.

Loan Feature

Whole Life insurance allows you to borrow from your policy's cash value. In the event of an emergency or unplanned expense, you can access funds from your cash value without the usual loan qualification criteria, and your insurance coverage remains in force. You should be aware, however, that interest is charged on the loan and if you die while any part of the loan is outstanding the death benefit will be reduced by that amount.

It is important to note that if the loan remains unpaid for a considerable period of time, the principal and interest could accumulate to the point where it exceeds the cash value, resulting in the loss of the insurance coverage.

Dividends

If you choose to purchase a Participating Whole Life insurance plan, you can earn dividends, just as you would if you owned shares in a publicly traded company. Dividends are considered a return on the premiums you've paid, but are not guaranteed and depend on the company's investment performance. Dividends can be accessed as cash, used to pay future premiums, or left in place to accumulate further value.

The benefit features of Whole Life insurance make it a good choice for many families that want to include an equity savings option in their financial planning. A qualified life insurance professional will help you analyze your needs and provide information about the types of insurance plans that will help you protect your family's life, health, and wealth.



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