



# Life Insurance: Why It Matters Now More Than Ever

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# Why is Life Insurance Important?

Do other people rely on you financially?

- Not about the risks, it is about the consequences
  - » Insuring possessions verses insuring people
- Not just covering debts, also protecting lifestyle
  - » Maintaining standard of living



# How Much Do I Need?

Remember that LIFE happens:

Liabilities (debts)

Income Replacement

Final Expenses

Education Funding



What does this acronym not account for?

# How Can It Benefit My Loved Ones?

Life Insurance Provides a Death Benefit to:

- Replace your paycheck
- Pay off your mortgage
- Pay off your student loans
- Pay for college
- Provide your family with an inheritance and pay estate taxes
- Make a charitable contribution
- Complete your retirement plan



# What About My Life Insurance Through Work?

## Group Term Life

- Employees receive a multiple (usually 1x-4x) of their annual salary up to a capped amount
  - » For example, 1x annual salary up to \$50,000
- Part of benefits package so no out of pocket expense
- Death benefit is tax free up to \$50,000
- Can change beneficiary & convert to permanent life upon departure

Is that enough coverage for you and your family?

# What About Life Insurance Through Work That I Pay For?

## Voluntary Life

- Employees opt-in to this coverage and premiums are deducted from payroll
  - » Can easily add spouses or partners and children to the plan
- Often requires no evidence of insurability (EOI) up to a certain amount of death benefit but some plans may require medical underwriting
- May be available year round within limits
- Premiums may increase every 5 years and they are often not as affordable as purchasing an individual policy
  - » Tends to favor employees who are older, not healthy, and smokers
- Tied to your employer

# What Kind of Life Insurance Does Lincoln Offer?

## Individual Life (Term or Permanent)

- Employees apply for this coverage and premiums are drafted from account
  - » Can easily add children (child rider) but not spouses to the plan
- Always requires some level of medical underwriting
  - » Accelerated underwriting (no health exam) may be available
- Available year round but rates increase once you pass your half birthday
  - » Maximum amount of death benefit based on insurable interest
- Premiums are locked in for the term or for the rest of your life and they are usually more affordable than voluntary life
  - » Tends to favor employees who are younger, healthier, and non-smokers
- Not tied to your employer

# Types of Life Insurance

## What's The Difference Between Term & Permanent?

- Term Life
  - » Renting a house
- Permanent Life
  - » Owning a house





# Term Life Insurance

- Provides coverage for a specific period of time
  - » Usually 10-30 years but available up to 40 years
- Almost always guarantees a level premium
- Offers limited coverage for children
  - » Through child rider
- Affords minimal living benefits
  - » Usually only for terminal illnesses
- Often offers conversion feature
  - » To permanent life within restrictions

# Permanent Life Insurance

- Provides coverage for your lifetime
  - » Potentially to the age of 121!
- Builds cash value
  - » Living benefit that is tax deferred
- Offers policy loans
  - » Can leverage cash value without reducing death benefit
- Requires fixed **or** offers flexible premiums
- Provides no coverage for children but...
  - » Adults can purchase some types of permanent coverage for minors

# Whole Life

- Oldest, lowest risk & most guaranteed type of permanent life
  - » Cash value growth will not exceed stock market returns
- May pay dividends depending on carrier performance
- Requires fixed premiums

# Universal Life

- Newer type of permanent life with greater upside potential
  - » Cash value growth usually exceeds that of whole life
  - » Cash value increase can be result of:
    - **Projected** interest rate
    - Performance of stock market index (S&P 500)
    - Performance of the stock market
- Death benefit may or **may not** be guaranteed
- Offers flexible premiums

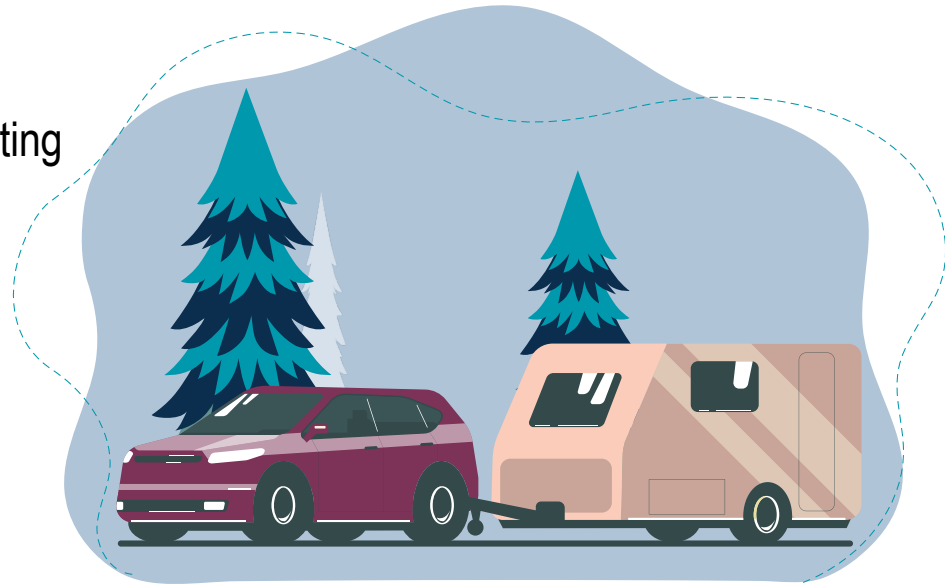


# Variable Life

- Permanent life with greatest risk & upside potential
  - » Cash value growth is directly tied to performance of stock market
    - Premiums are usually invested in subaccounts
- Minimum but **not guaranteed** death benefit
- Requires fixed premiums

# Why Not Buy Term and Invest The Difference?

- Many people buy term and **spend** the difference
- Term becomes cost prohibitive over time
  - » Just like renting house in the long-term
- Permanent life may not be as risky as investing
- Permanent life offers tax-deferred growth



# What Kind of Life Insurance Is Best?

- It depends on you and your loved one's priorities, goals, and needs
  - » Weigh pros and cons of each option
    - Assess your risk tolerance
  - » Remember that individuals are not commodities
  - » Have a conversation with your financial advisor



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