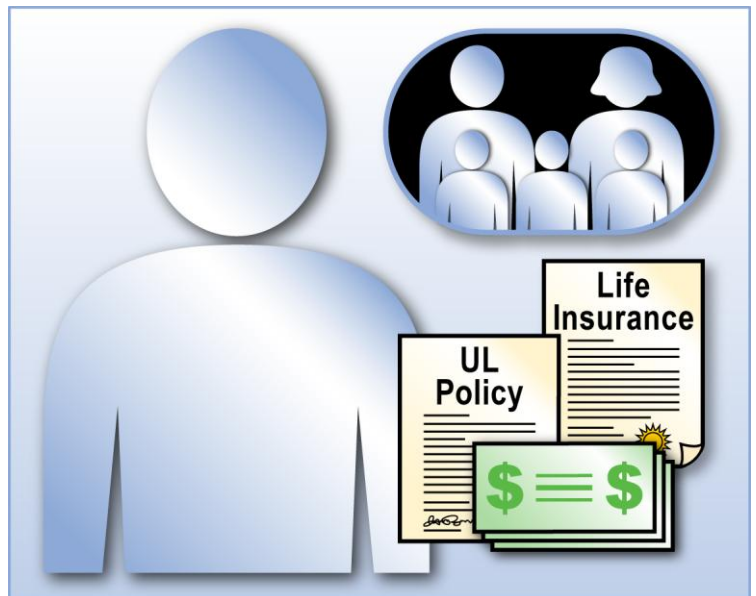




# Understanding Your Life Insurance Options



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## Life Insurance: An Integral Part of Most Financial Plans

The primary purpose of life insurance is to:

- Replace income in the event of the death of a wage earner
- Pay debts (such as a mortgage) on death
- Pay final expenses
- Pay tax due upon death
- Create an estate
- Conserve an estate
- Maximize an estate
- Equalize an estate
- Provide an endowment to a charity

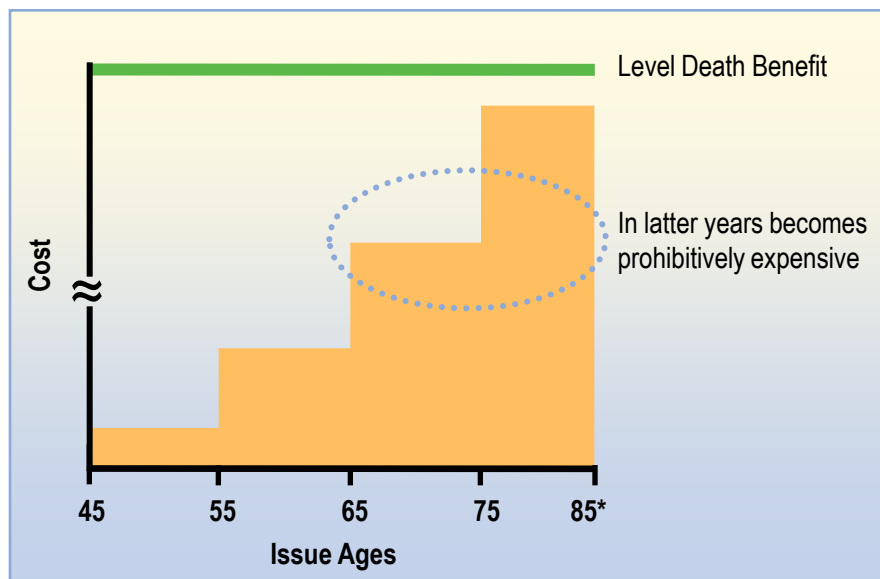
## Two Types of Life Insurance

- Term
- Permanent

## Characteristics of Term Insurance

- Initially inexpensive but prices increase dramatically with age
- Price increases at each term renewal
- Variety of term options available
- Term Options:
  - Annual
  - 5 years
  - 10 years
  - 15 years
  - 20 years
  - To age 65 or age 75
- Finite life – coverage ends at age 75-85 (depending on the insurance company)
- When selecting a term product you should consider the time frame that you will need the coverage, and take into account when:
  - Debts such as mortgages will be repaid
  - Retirement savings will be fully funded
  - Primary dependency period will end especially children’s education

## Ten Year Term – Example



\* Coverage Terminates at Age 85

## Permanent Insurance

There are three types of permanent insurance:

- T-100 – without cash value
- Universal life – with cash values
- Whole life – with cash values

## Characteristics of Permanent Insurance

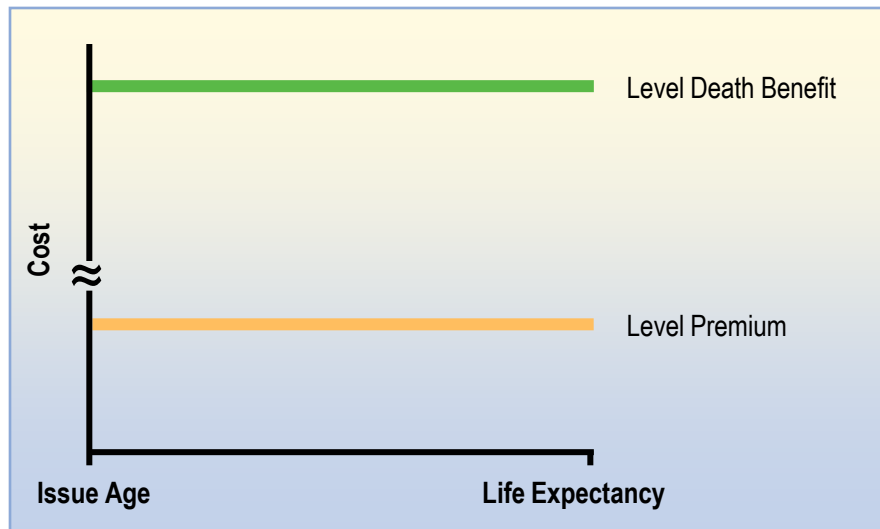
- Level Price for life\*
- Coverage stays in place until death, no matter what age
- Universal life and Whole life have two components consisting of insurance and investments

\* Most companies offer a form of universal life insurance for which the price increases annually. This product is only appropriate in certain specialized circumstances.

## Characteristics of T-100

- Both the premium and the death benefit are guaranteed and are level
- No cash values
- Premiums must be paid for lifetime, no paid up options

### T-100 – Example



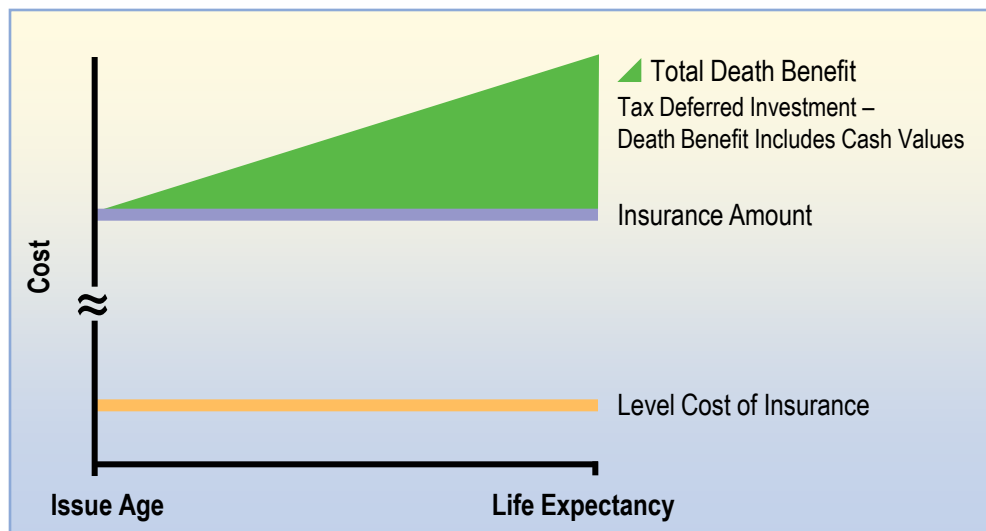
Note: No Cash Value

## Characteristics of Universal Life

- Cost of insurance is guaranteed not to increase.\*
- Face amount of insurance is level and guaranteed.
- Death benefit is a combination of the face amount of insurance and the value of investments.
- Additional funds, above the cost of insurance, may be deposited. The funds are invested at the discretion of the policy owner. Investment options include:
  - Fixed income options
  - Stock market index accounts
  - Mutual Fund mirrored accounts
- The earnings on the funds invested in the policy are exempt from tax, within certain limits outlined by CRA. The funds stay in the policy and are paid out tax free as a death benefit.
- Funds can be accessed by loan or withdrawal.
- It is possible to have sufficient funds in the policy to pay insurance charges, thus creating a policy with no further premium requirements.

\* Assume level cost of insurance.

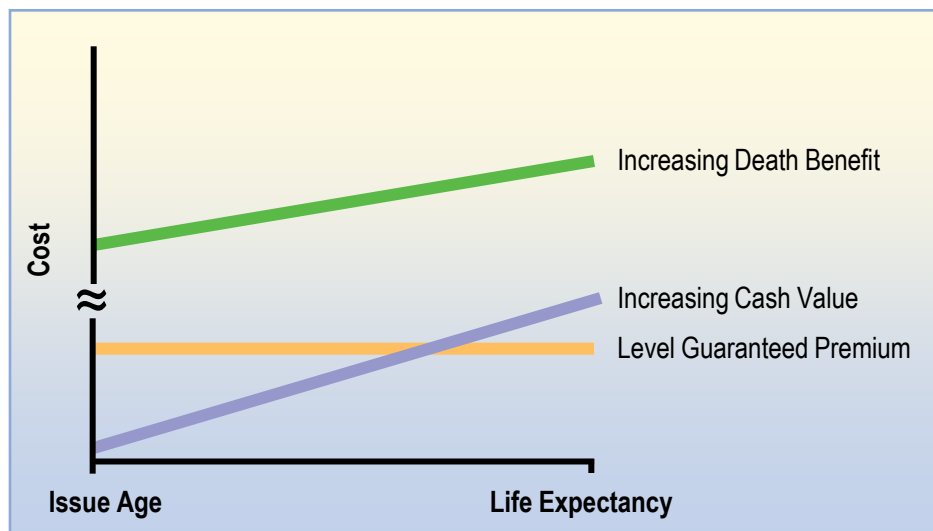
## Universal Life – Example



## Characteristics of Whole Life

- Premium is usually guaranteed
- Minimum face amount is guaranteed
- Policy will have a minimum guaranteed cash value
- Premium paying period may be guaranteed, for a period of years or to age 100
- Policy has a cash value, however, the investment of the cash value is determined by the insurance company, not the policy owner
- Policy may pay dividends which can be used to reduce future premiums or purchase more insurance or to increase the cash value
- Cash value can be accessed by way of a policy loan

## Whole Life – Example



## Who Should Buy Term Insurance?

Individuals looking for:

- Coverage for short (10-20 years) periods of time,
- Mortgage repayment,
- Debt repayment,
- Income replacement, or
- Any temporary need.

## Who Should Buy Permanent Insurance?

Individuals looking for:

- Coverage which will last for a lifetime,
- Estate creation, conservation, maximization or equalization,
- Part of an insured annuity or pension maximization,
- Providing an endowment to a charity, or
- Any permanent need.

## Some Important Notes

This presentation is for general information purposes only and does not form any part of a policy contract.

The scenarios described in the preceding presentation provide only a general outline of some financial strategies. Readers should seek independent legal, tax and accounting advice with regard to the views expressed in this document.

Please see policy illustration(s) for further details regarding particular policy features and guarantees and optional riders.

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