Don't Waste Those Term Premiums

THEN...

You probably purchased your term insurance when you needed the most life insurance protection. For example, you may have purchased term insurance when your child or children were young, or to cover a mortgage or a business loan. You knew there would be a finite period during which you would need life insurance coverage.

...AND NOW

Fast forward to today. The policy is nearing the end of the term, the kids are grown, and the house is paid off—but you continue to have a need for life insurance to cover yourself or a loved one. Twenty-year level term life first became popular around 20 years ago, so many of these policies' level premium periods are now expiring. While you have the option to keep the policy in force beyond the initial 20-year term period, your premiums may skyrocket. Fortunately, there are options. If you are in your fifties or sixties and are healthy, a new term policy might still be affordable.

THE PERMANENT OPTION

However, there may be a better option. A new permanent policy might be more in line with your needs, especially if you have a longer time horizon for life insurance protection, or want to leave a legacy. For example, once you begin collecting Social Security, there is a survivor benefit, but will that be enough for your spouse or significant other to live on?

Whole life policies today are flexible, and they can be used to supplement retirement income as well as legacies.

If you own term insurance, you know that it will expire at some point in the future. If one of the advantages of permanent insurance that you are seeking is for the living benefit (the access to cash value), you may consider tracking your term premiums.

By tracking your term premiums you are able to create tax basis in your new permanent contract. This may be important if you plan on accessing the cash value at some point, for example, as a retirement income supplement. It could also be important if you plan to annuitize your contract for a permanent income stream.

For example: You paid $10,000 to an insurance carrier for 10 years for a 10-Year Level Term Policy. The new permanent policy premium is $8,000. Security Mutual enters the basis amount into its system with a record of the initial new contract premium of $8,000. The basis in the new contract with Security Mutual is now $18,000 ($10,000 old basis + $8,000 first-year premium). As cash value builds over time, you now have the old basis along with the new basis that you can access income-tax free.

You should consult your tax advisor for any tax-related matters and before implementing this strategy. You should also consult with your current life insurance carrier regarding conversion options, if any, in your existing term contract.

Contact a Security Mutual insurance advisor to explain this concept and assist you with your overall insurance needs.

The applicability of any strategy discussed is dependent upon the particular facts and circumstances. Results will vary and products and services discussed may not be appropriate for all situations. Each person's needs, objectives and financial circumstances are different and must be reviewed and analyzed independently. We encourage individuals to seek personalized advice from a qualified Security Mutual insurance advisor regarding their personal needs, objectives and financial circumstances.

Tax laws are complex and subject to change. The information presented is based on current interpretation of the laws. Neither Security Mutual nor its agents are permitted to provide tax or legal advice.

Insurance products are issued by Security Mutual Life Insurance Company of New York. Product availability and features may vary by state. Eligibility for life insurance is subject to the Company's underwriting rules and receipt of payment. Premium rates will vary based on any and all information gathered during the underwriting process, and medical exams may be required. Life insurance policies contain exclusions, limitations and terms for keeping them in force. Your agent can provide costs and details. Guarantees are based on the claims-paying ability of Security Mutual Life Insurance Company of New York. Loans from the policy will reduce the death benefit and cash surrender value and may cause the policy to lapse. Lapse of a policy with a loan may have tax consequences.

0014719XX 01/2019

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