A Myth Can Be a Millstone

A myth is an idea or story that is believed by many people, but is not true. The myths about life insurance would rival the myths of ancient times. One or more of these myths may be holding you back from protecting your most important asset. See if what you have been led to believe aligns with any of these five myths.

Myth 1 Life Insurance is Too Expensive.

This is a common belief. Premiums are based on your age, your health, your lifestyle and how long you want coverage. Some types of life insurance—**permanent** life insurance—require larger funding amounts and build cash value in the policy since the objective of this policy is to remain in force as long as the premiums are paid. Permanent life insurance products offer **flexibility of design and a choice of features**. . . and can provide some **living benefits**.

Other life insurance products without cash value—**term** insurance—can be relatively inexpensive. But term products usually expire at a given age.

If you have a set amount you want to spend, you can keep your premium payments within your budget by selecting a combination of term and permanent coverage to meet your needs.

Term insurance products may be exchanged or converted for permanent insurance products at your request as your finances improve.

Companies do have different conversion rules, so ask about this before you buy term insurance. You want to have the right to convert to any permanent product currently being marketed by the company.

Myth 2 The Rate of Return Isn't Competitive

Competitive compared to what? Have you heard the story of the tortoise and the hare? Comparing dividend-paying whole life insurance* to the stock market is much like that. The stock market goes up and down. Your funds can take a deep hit. Every day, you begin from where you ended the day before. With the market, each day is a new risk.

However, a dividend-paying whole life policy grows every year, and the balance does not take a deep hit if the market goes down. The previous year's cash value balance is guaranteed. This allows **continued growth that is also income tax-deferred. This minimizes risk.**

Myth 3 Older, Retired People Don't Need Life Insurance. . .

. . .Especially not permanent life insurance with cash value. **What?**

Here is where cash value life insurance can really shine. The retiree is collecting from a pension, Social Security, or perhaps drawing income from stocks or mutual funds. What do these sources have in common? They provide **taxable** income.

What if the tax environment is unfavorable?

What if the retiree could replace some of the taxable income with comparable income tax-free income?

Life insurance policies with cash value can provide income tax-free distributions if planned properly. This may lower the tax burden while maintaining the standard of living.

Another financial trap is lurking as we age. When one spouse dies, the survivor can collect only the larger Social Security benefit. How do you replace this lost income? **Life insurance.**

Grandparents of today—as they have historically—like to give to their families. At one time, the business or the farm was passed on. Perhaps they gave a piece of their land to a child or grandchild to build on. This is the human character and it is no different today except that not as many of us have other assets to pass on. Life insurance can be the legacy.

For three common needs of older people. . . income tax-free distributions, income replacement and a legacy for their families, people can use life insurance.

Myth 4 Accumulation Is All That Is Important

When accumulating assets, we are usually told to hold on to those with tax deferral features. But when the time comes for distributing the assets, we realize that while we have deferred the tax, there is a likelihood that we will pass the tax liability on to our heirs in the form of IRD (Income in Respect of Decedent) assets. Wouldn't you rather leave your children and grandchildren tax-free assets?

Advisors may tell you the advantages of taking only minimum distributions and passing the IRA income stream on to your children and grandchildren for their lives. What is the better option? Leaving your family an IRD asset (income taxable), or using distributions from the IRA to purchase a life insurance policy and funding a legacy that provides tax-free dollars? (This option work best if you have other sufficient sources of retirement income.)

Myth 5 Life Insurance Is An Expense; NOT an Asset

Does it walk like a duck, quack like a duck, etc.? It must be a duck.

Does it have market value? Can it be sold to a third party? Does it appear on a balance sheet as an asset, etc.? **Then, it must be an asset.**

The premium is payment for an asset. A car is an asset with diminishing returns. A permanent life insurance policy may be constructed as an asset with increasing returns.

Life insurance is an asset with flexibility. It can be designed to meet your needs and budget. You can base your plan on the death benefit you need or the premium you can afford. You can decide over what time span you will pay premiums based on **your plan.** You can fund the policy for high cash value accumulation or minimal cash value. There are dividend options that can increase your death benefit, your cash accumulation or you can even take as distributions.

Riders can be attached to the policy that will protect your premium payments if you are disabled, increase your "paid-up" death benefit, allow you access to the death benefit if you develop a chronic illness or a terminal illness, and increase your death benefit if you die in an accident.

Now that some of the myths about life insurance are debunked, perhaps it is time to get additional details from a Security Mutual representative. Ask for a policy that is designed specifically to fit your needs and your objectives. **There is no obligation. . . except to you and to those who depend on you.**

Contact your local Security Mutual life insurance advisor today to coordinate your financial plans and help achieve your goals and objectives.

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