SECURITY MUTUAL LIFE

Market Volatility

Are you making money or are you losing money on your investments? A lot depends on when you look. That is the norm with the markets. But how much risk tolerance you have and, more importantly, how much risk capacity you can tolerate, will depend on the way you react and what action you take. Don't panic.

Risk Tolerance

When we say "risk tolerance," what we're talking about is this: how comfortable are you with the risk of losing your money? If you are unwilling to make an investment when there is a chance you will lose money, you have little or no risk tolerance. Most of us are willing to take at least some risk.

Risk Capacity

But perhaps even more important than risk tolerance is what's known as "risk capacity." This means that the risk you take will depend on the amount of financial assets you have in order to tolerate it. For example, would you be able to pay your bills and maintain your financial standard of living if you lost 1 percent of your earnings? 2 percent? 5 percent? What about 20 percent? Losing 1 percent of your earnings could be devastating to some. Others might not even notice if they lost 20 percent.

A Way to Address Market Volatility

Both of these concepts—risk tolerance and risk capacity—are important, and it may be that you need some exposure to the markets for your savings to grow and at least keep up with inflation. Which brings us to dealing with market volatility. If you have some market exposure and also wish to preserve your capital, how can you stay calm with all these fluctuations? While there are many investments that may provide market exposure and preservation of capital, these tend to be complicated and sometimes expensive arrangements.

> *"Permanent whole life insurance… provides protection for living needs as well as survivor benefits."*

Add Whole Life to Your Plan

One way to address risk tolerance and risk capacity is to use permanent whole life insurance as part of your overall financial plan. How is that possible, you ask? A permanent, fixed-premium whole life insurance policy from a mutual life insurance company such as Security Mutual offers a wide range of features to meet a multitude of needs. First and foremost, a sound financial plan includes a method to provide for your loved ones with a death benefit. Whole life insurance offers guaranteed death benefits, guaranteed cash value accumulation, and optional riders to provide protection for living needs as well as survivor benefits. In addition, by issuing participating policies a mutual life insurance company can return premiums to policyholders in the form of dividends, like Security Mutual.*

A Way to Increase Risk Capacity

Permanent whole life insurance helps to increase risk capacity because it also has a tax-deferred savings feature known as cash values. Cash values can be accessed during your lifetime for various uses. Cash values also grow at a minimum guaranteed rate. In addition, participating whole life insurance offers the potential for dividend payments. While dividends are not guaranteed, and the amount credited may rise and fall depending on the insurance company's experience factors such as investment income, taxes, mortality and other expenses, dividends grow tax-deferred.

When this happens, you eventually have the opportunity to take distributions from the policy and use the money for some other purpose while you're alive. And the money can come out of the policy tax-free up to the amount of your basis (in other words, how much money you've put in).

You can even take out more than you've put in by using policy loans, which are income-tax free. This needs to be done with caution, though. Taking your basis out and taking loans will impact the death benefit and may impact the taxation upon surrender of the contract.

So by incorporating a fixed, guaranteed whole life insurance policy into your financial plan, you may be able to tolerate more risk in your portfolio and give yourself more risk capacity.

Contact your local Security Mutual life insurance advisor today to coordinate your financial plans and help achieve your goals and objectives.
For more information, visit us at smlny.com

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