



# Life Insurance to Insure Your Love

Undoubtedly, 2020 was a rough year for many, financially and emotionally, because of the COVID-19 pandemic. Although there are some signs of improvement in 2021, this year will continue to be difficult. The pandemic has forced people to relook at their mortality and evaluate whether their family and loved ones are as financially protected as needed.

According to a recent article in *The Wall Street Journal*, in 2020 life insurance sales increased for adults up to age 59, but particularly for those under the age of 45.<sup>1</sup> That makes sense because these are the ages when people have families and young children to care for, love and protect; when mortgages need to be covered; and when children's college education needs to be accounted for. When it comes to life insurance, for most families, the primary motivation for purchasing the insurance is simply because of love.

So if you've been thinking about life insurance, now is a great time to assess the coverage that you have or need against your goals and objectives. To start, let's review the types of life insurance available. Generally, life insurance is divided into two main categories: term insurance and permanent insurance. Within each category, there may be different types of products that do different things.

## Term Life Insurance

Term insurance is generally known as temporary insurance because the insurance product is designed to last only for a certain period of time, whether that is for one year or 30 years. Term insurance pays out a death benefit only if the insured person dies before the term expires. Term insurance at younger ages is generally less expensive than permanent insurance. However, if you want to renew the insurance at the end of the policy term, it is renewed at the attained age at that time, when the premium payment will probably be significantly higher.

## Permanent Life Insurance

Permanent insurance is designed to last for a lifetime as long as premiums are paid. Permanent insurance premiums are higher than term insurance premiums because in addition to the death benefit, permanent

insurance also has a tax-deferred savings feature known as cash values. These cash values can be accessed during your lifetime for various uses, such as helping to pay for college education, to supplement retirement income, or to help with expenses related to a chronic illness, or for other purposes too.<sup>2</sup>

There are several types of permanent insurance, including whole life, universal life and variable life.

### Whole Life Insurance

Whole life insurance features fixed level premiums, guaranteed death benefits and guaranteed growth of cash values as long as the premiums are paid.

### Universal Life Insurance

Universal life allows for flexible premiums and flexible cash value growth and death benefits. Cash values are usually dependent upon the amount of premiums paid and market interest rates. However, there are some types of universal life insurance where cash values and interest rates are linked to the performance of market indexes (e.g., the S&P 500). These are called indexed universal life insurance policies.

### Variable Life Insurance

Variable life insurance is similar to universal life except that the cash values are invested in separate accounts similar to mutual funds, which may allow for greater cash value growth. Of course, because variable life's cash values are influenced by the stock and bond markets, cash values can also be lost.

### Sources

<sup>1</sup>Scism, Leslie. "Covid-19 Pandemic Motivates Younger People to Buy Life Insurance." *The Wall Street Journal*, February 1, 2021. Accessed February 4, 2021. <https://www.wsj.com/articles/covid-19-pandemic-motivates-younger-people-to-buy-life-insurance-11612184402>.

<sup>2</sup>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.

There are other types of life insurance in the marketplace today. We've only briefly scratched the surface in describing some of the more common types of life insurance available. Here are some questions for you to consider:

- Which type of life insurance do you have?
- Do you understand how it works?
- How much life insurance do you have?
- Is the life insurance you have the right type for what you're trying to accomplish?
- When is the last time you reviewed these policies?
- Have you had a change in health since you last purchased life insurance?
- Has the makeup of your family changed recently, perhaps because of the birth or adoption of a new child, marriage or divorce?
- Has your financial situation changed since you last purchased life insurance?

If you're unsure if you need more life insurance, and would like to learn more about the different types of life insurance available to you, contact your Security Mutual Life insurance advisor today to schedule a personal assessment and help ensure that your goals and objectives are met, but most important, to demonstrate your love for your family.

The information presented is designed to provide general information regarding the subject matter covered. We encourage readers to seek personalized advice from a qualified professional regarding their personal financial circumstances and objectives. Neither Security Mutual nor its agents are permitted to provide tax or legal advice.

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