Marc Ang
Estate & Financial Planner
424.291.2102
marc@mangusfinance.com

MANGUS FINANCE

Life Insurance: The Good, The Bad, & The Ugly

The Advantages of Life Insurance

Policy Owners

Pricing
- Premium pricing is based on the **age and health of the insured**. The younger and healthier one is, the lower the premium.

Financial Leverage
- With best-health rating locked in at a younger age, you at least **triple what you put in over a lifetime**, even if you live to be 100.

Tax Benefits
- Life insurance, in certain cases, is **tax deductible to a business owner**. Because of tax free growth, it is similar to a Roth IRA.

Beneficiaries

Pricing
- Beneficiaries of the policy can be anyone without respect to age or health, including the policy owner or the insured's estate.

Financial Leverage
- If you live a full life, beneficiaries receive triple what you put in to the policy. There is **higher leverage** and **protection** with **premature death.**

Tax Benefits
- Life insurance is **tax-free to the beneficiary**, making it not only a **powerful protection vehicle**, but also a robust **wealth transfer tool**.

	Term	Universal	Variable
Pros	Term" **protects for a certain period of time** (e.g. 10, 15, 20 or 30 years). Similar to auto insurance, if you stop paying premiums, the policy lapses and you are no longer covered. Term is **inexpensive** and makes sense for **mortgage protection and young families**, who need a high amount of coverage during a finite period of time.	A "universal" policy **protects for a lifetime** and the insured is **locked into a fixed premium** for his lifetime. In addition, a universal policy has **flexible premiums**. If you hit a rough year, you can pay less and make up for it the next year. Universal is the **least expensive permanent insurance** out there.	A "variable" policy combines **the tax-free benefits** of insurance with a cash value component that **grows as an investment**. This cash value can be withdrawn or loans can be taken out against the policy. In addition, most variable policies allow you to **go in and out of mutual funds without incurring load fees** within the fund family. The longer the term horizon, the more ability for your investment portion to **grow exponentially**, even beating a Roth IRA in many cases. For a 20 year old, their money can grow **10-fold** by the end of their lifetime.
Consideration	When the **term is over or you lapse**, you are **no longer covered** and cost of insurance increases for the same coverage or additional insurance. Term policies **do not include a cash value** component. All premiums paid through the years are direct profits to the insurance company. **Return of premium policies** give back 50% or 100% of premiums paid, but $30k today is worth much more than $30k in 30 years.	Universal" policies **build little to no cash value**. You do not enter a universal policy for the death benefit to grow, because the death benefit generally remains the same. One must consider that the death benefit, though locked in, **does not increase with inflation**. $300,000 may seem like a large amount today, but will not be an equivalent value at the end of your lifetime.	The **cost** of variable insurance could be about double the cost of a universal policy, and so can be the biggest deterrent. One must fund a policy to a certain level throughout their lifetime to prevent the policy from lapsing or losing its tax advantaged growth opportunity. Hence, the variable policy also requires the owner to take on some **market risk**. Otherwise, a **whole life policy** is recommended, with a **guaranteed but lower rate of return**. The cash value is slow to build, unlike that of a variable policy which will beat inflation, and then some, if funded correctly.