

Purpose Driven
LIFE INSURANCE



Has someone ever called you on the phone and tried to sell you life insurance or any other product without knowing anything about you or your specific situation?



That would be the same as telling someone what car to buy without knowing about the individual's specific needs. Does the individual have five children and require a mini-van or does the individual have no children, a limited budget, and a need for a compact car? For anyone making the decision as to what car to purchase, they try to gather information about all the different options in the marketplace and make an informed decision based upon their needs, available resources, personal taste, and goals and objectives.

The same is true for the purchase of life insurance. One size does not fit all. Life insurance needs to satisfy a purpose in your life and that of your family. You may have family, friends, religious

organizations, and other charities that bring meaning and purpose to your life. Being able to help and take care of those that provide us a purpose in life is essential. Assessing the needs of family, friends, and charity who may count on us for support is the first step in deciding how to protect the ones we love.

Like purchasing a car, the more you know about life insurance, the more prepared you will be to make an informed decision that meets your needs relative to the purpose of coverage, type of insurance, face amount, and cost that you can afford.



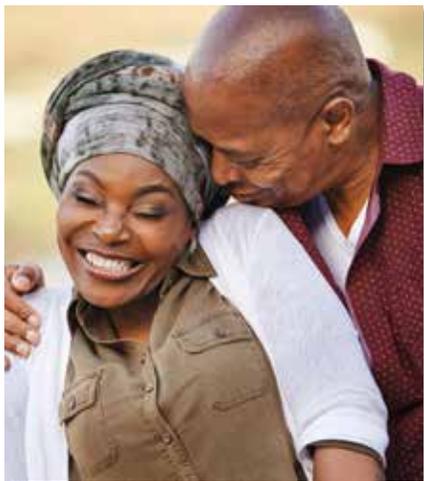
Purpose of Life Insurance

Provide for Family

The single greatest purpose for life insurance is to help protect your family if anything happened to you or your spouse. Many individuals purchase insurance because risk and loss is an everyday part of life. They decide to acquire peace of mind against this risk and loss by paying a premium that is much smaller than the total amount that would be needed to support their family if anything should happen to either one of them. The risk of dying is definitely a catastrophic risk. If you or your spouse were to die, would there be enough funds for your children and grandchildren to get through school? Would there be enough funds available to maintain the family's current lifestyle, or would the surviving spouse have to liquidate the family home and make drastic life changes? What are the difficult decisions that the surviving spouse would have to make alone without the funds to obtain advice or counsel if there is not appropriate insurance in place? What kind of future will you or your surviving spouse, children, and grandchild have if they experience the sudden loss of you or your spouse? Failure to insure for these risks may have detrimental effects to the ones you love the most.

Family Uses for Life Insurance:

- Help replace your income in order to assist your family maintain their current standard of living.
- Help protect your family's home and assets by having sufficient life insurance to pay off the family's home and autos.
- Help provide your children and grandchildren the opportunity to reach their potential by providing for their education expenses.
- Permanent life insurance policies containing cash value provide the potential to provide funds that could be used for family emergencies, education expenses, or supplemental retirement income.
- Provide money to help hire child care professionals, maids and provide for other domestic services in the event of the death of a stay-at-home parent.
- Permanent life insurance cash value grows tax deferred so that you can maximize the money available later for loved ones.
- If you have a significant estate or a business that you want to ensure continues after your death, life insurance can help pay the estate tax liability and fund a buy-sell that allows you to pass your estate and business to loved ones.
- Provide a benefit for a charity or religious organization that is important to the family.



Uses for Couples

If you do not have children but have a spouse or significant other, it is important to protect each other from loss in the event of either of your deaths. Is there a mortgage payment that requires both of your incomes to pay? Are there monthly expenses that require money from both of your checks? If your salary is gone, what will your spouse or significant other do? Life insurance can help provide the protection you need. Protection that can help pay-off the mortgage, pay the bills and other loans, complete a retirement plan, or pay final expenses at a time when cash is needed.

If one or both of you have children from a prior marriage or other family members that you are responsible for, life insurance can help provide for those family members as well as the surviving spouse. Permanent life insurance has a cash value component and cash value grows tax deferred in the policy. This means it can grow faster than money that is taxed as it grows year after year. The cash value component can be accessed through policy loans in later years to provide money for emergencies, supplemental retirement income, or any other needs.



Uses for Singles

For single individuals, one must look to what your future holds and that of those you love. If it is just you and there is no one else to benefit, you may only need life insurance to cover burial expenses.

However, if you have loved ones such as siblings, nieces, nephews, a treasured pet or a charity you wish to benefit, permanent life insurance may be right for you. Do you want to leave an education legacy to your nieces and nephews or ensure that a sibling has enough for retirement if something happens to you? Life insurance is a way to help ensure that you leave a legacy to those you love who may be in need.

Life insurance can also be used to help ensure that a treasured pet is well taken care of if something happens to you. There are places such as veterinary schools that will take your pet if something happens to you and provide the pet a home and care for a fee. Life insurance can make this happen.

Life insurance can also be a way to help plan for your retirement. The cash value of a permanent life insurance policy can be utilized to supplement retirement income through policy loans. Even if you do not have a family to provide an income for, life insurance can cover final medical expenses and funeral costs. With a permanent life insurance policy, you could get help with these unexpected medical expenses through policy loans.



Uses for Children

Many parents want to provide opportunities to their children that they never had. One way to achieve this is to purchase a permanent life insurance policy on each child when they are very young. The cost of the insurance is lower at younger ages and the cash value will accumulate as they grow up. This provides the child permanent protection with the additional benefit of cash value that can later be accessed through policy loans that can be used for purposes such as the purchase of a starter home or simply remain as a level of protection as that child starts their own family.



How Much Life Insurance Coverage Is Enough?

Many experts will venture that you will require five, ten, or even 20 times your salary in life insurance. If a multiple of twenty is used at a 5% return, it will replace your current salary. Another way to determine your individual needs would be to determine all of the current and future liabilities you need to provide for along with enough money to provide sufficient cash flow for those you leave behind.

The tally would include:

- Mortgages
- Car and other loans
- Credit card balances
- Future education expenses for all children or grandchildren
- Any other full or contingent liabilities you may have
- Capital to provide ongoing income or future retirement income
- Any other expenditures or legacy's you wish to leave

Example

Joe, the primary breadwinner, and his wife Jean have three children age 5, 6, and 7 and Joe's insurance agent is visiting. They are trying to determine Joe's true insurance needs. Their list includes:

Need:	Cost:
+ Mortgage	\$ 100,000
+ Second Mortgage	\$ 30,000
+ Car loans	\$ 28,000
+ Other Unsecured Loans	\$ 10,000
+ Credit Cards	\$ 15,000
+ College Education	\$ 144,000
+ Weddings	\$ 50,000
+ Required Income Stream of \$3,000 per month(@5%)	\$ 720,000
Total Needs	\$ 1,097,000
- Total Investment Assets Available	\$ 250,000
Net Required Capital	\$ 847,000

This is a simple analysis and does not take into account inflation which may suggest that Joe and Jean may need up to \$1,000,000 in total life insurance on Joe's life. They would then try to estimate the cost of replacing what Jean does in the home. Although you cannot replace the love Jean provides her children, you can estimate the cost of child care, maids, and any other domestic services Jean provides the family.

As a result, in this case the advisor is recommending \$1,000,000 of insurance on Joe and \$275,000 on Jean to meet the family's current needs.



Types of Life Insurance Available

Term Life Insurance

Term life insurance provides temporary protection for a specific period of time and pays a benefit only if you die within that period of time which may be one year, ten years, twenty years or even longer. Term life insurance that is issued or purchased while you are young can provide the maximum death benefit for the lowest cost. Should your needs change in the future, some term policies provide a conversion period which allows you convert your term policy to a permanent policy.

Whole Life Insurance

This is the oldest and most conservative type of permanent life insurance. Typically, the premiums and death benefit remain the same over the life of the policy. The cash value in the policy continues to grow at a guaranteed fixed cash value schedule. Whole life insurance may be the most expensive permanent life insurance but provides the most certainty.

Universal Life Insurance

Universal life insurance (UL) provides flexibility in premium payments and death benefit. Universal Life insurance features a cash accumulation feature that grows tax deferred. Often, there are guaranteed minimums, but the policy holder has the ability to share in upside potential depending on how the policy is structured. Indexed UL policies are also available which allow you to place a percentage of the premium in a fixed account and a portion in indexed accounts. An indexed product credits interest based upon the performance of an Index; however you are never invested directly in the market and your policy will never be credited a negative interest rate. This allows you to take advantage of the potential increases in the index while maintaining a level of protection in the event that the index drops below 0%.¹

¹You will never be credited a negative interest rate related to a change in index, however due to monthly deductions to your policy, your accumulation value may decrease.

Life Insurance Advantages and Disadvantages

Type	Advantages	Disadvantages
Term Life Insurance	<ul style="list-style-type: none"> Initially, premiums for younger individuals are lower than those for permanent life insurance. Lower cost means you can afford more coverage at a younger age when more coverage may be needed. A great way to cover specific needs that may be temporary in nature. 	<ul style="list-style-type: none"> Provides coverage for a specific period of time, not for the life of the individual. Premiums increase as you get older and may become prohibitive at older ages. Coverage may terminate at the end of the period chosen and may become too expensive to continue. Premiums must be paid each year to continue the policy. Typically, the term life insurance policy does not offer cash value. Once the coverage ends, you typically receive nothing back from the insurance company.
Permanent Life Insurance	<ul style="list-style-type: none"> Guaranteed protection as long as the premiums continue to be paid. Permanent life insurance can accumulate cash value over time. If the policy performs as expected, your premiums will have a benefit in the form of cash value compared to term life insurance, which is pure insurance. Cash value can be accessed and borrowed, the policy can be surrendered, or the policy can be converted to an annuity. Cash value can be used for any purpose including supplementing retirement income, funding education, and utilized in the event of an emergency. 	<ul style="list-style-type: none"> If too much is borrowed from the policy, the policy could run out of cash value and terminate which could lead to a taxable event. Permanent insurance is only a good option if you plan to keep the policy for a long period of time. Surrendering a permanent life insurance policy in the early years can involve surrender charges.

What Combination of Life Insurance Coverage Meets Your Needs?

Depending on what stage of life you are in and your specific needs, you may need a combination of term and permanent life insurance coverage. Just like shopping for a new car, gather information on the products available in the marketplace, examine your budget to determine how much you can spend and match this with your needs, goals and desire to protect your family and other loved ones.

Let's Take A Look At Joe And Jean Again:

Joe and Jean are both 35 years old, and Joe has a salary of \$75,000. They evaluate their budget and determine that the maximum amount they can spend on life insurance to help protect their family is \$5000 per year. Joe and Jean want to build up cash value in a permanent life insurance policy so that years down the road they will have money they can borrow to make sure their mortgage is paid off at retirement and provide them a cushion for retirement. In the meantime, they want these future liabilities taken care of if something happens to either of them. They believe if they purchase a term life insurance policy, they will need the protection for twenty years until their youngest child graduates from college.

Both of them are in good health and they apply for life insurance to see what kind of offer they receive from the insurance company. Joe is rated preferred and Jean receives a standard rating so they decide on the following:

	Type of insurance	Annual Cost	
Joe	\$300,000 of Permanent Life Insurance	\$3,096	} Total Annual Cost for Joe: \$3,569
	\$700,000 of 20 Year Term Life Insurance	\$473	
Jean	\$125,000 of Permanent Life Insurance	\$1,098	} Total Annual Cost for Jean: \$1,319
	\$150,000 of 20 Year Term Life Insurance	\$221	

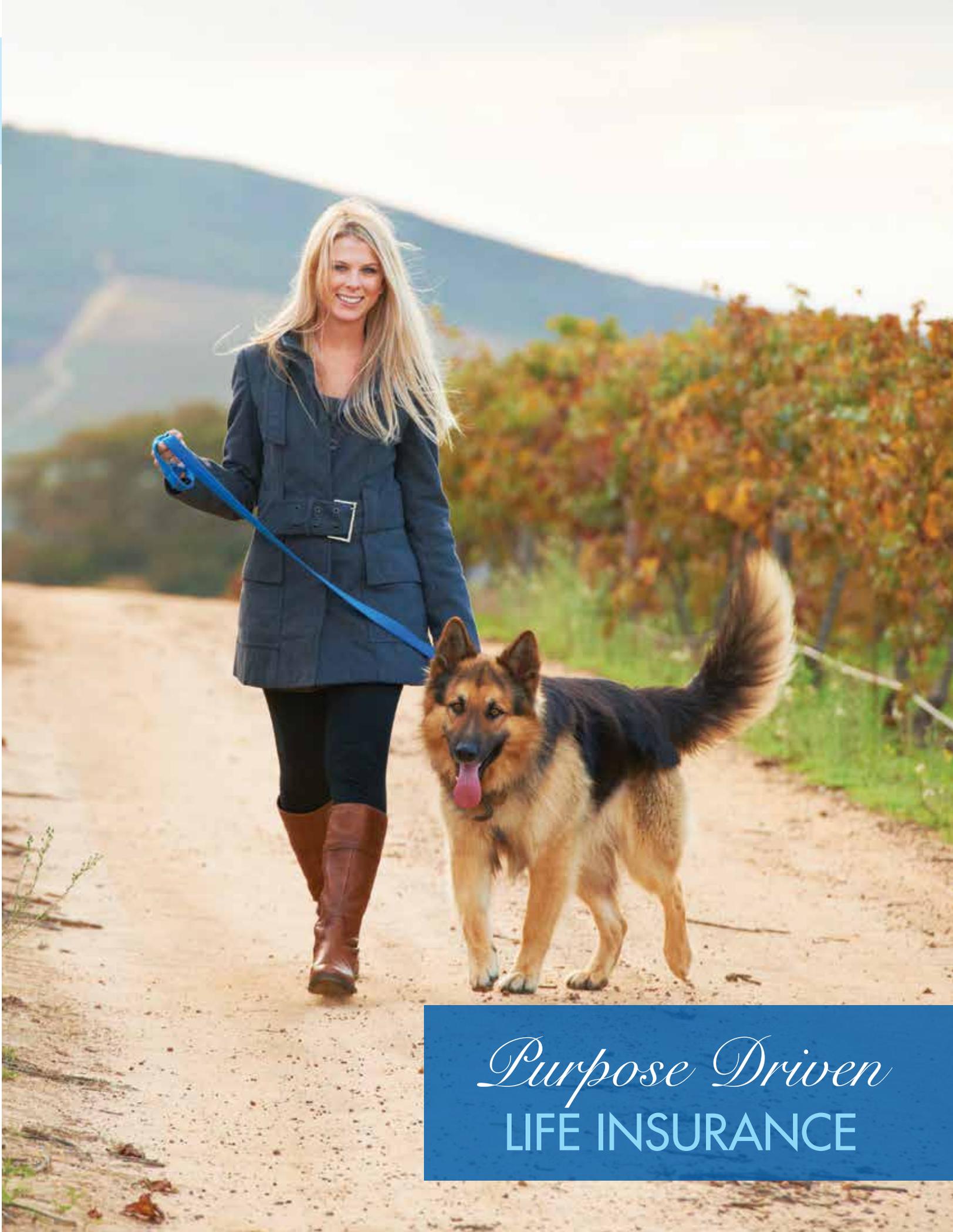
Total Annual Cost for Peace of Mind for Both: \$4,888

Joe had hoped he could afford \$500,000 of permanent life insurance and \$500,000 of term life insurance but the cost would have exceeded Joe and Jean's budget for life insurance. Hence, more term life insurance was substituted to bring the price down. If Joe is insurable in the future or takes a term life insurance policy with the ability to convert to permanent life insurance at a later date without proof of insurability, Joe can add more permanent life insurance later.

Each individual's situation and circumstances will be different and based upon their budget and needs, the amount of term life insurance, and amount of permanent life insurance will vary. You should choose the combination that works best for you. Having sufficient life insurance to meet the needs of you and your family will give you the comfort of knowing you are covered in the event of a tragic loss.

The satisfaction that comes from protecting those who provide purpose in your life will give you peace of mind in knowing your loved ones will have the financial comfort they deserve. These unforeseen risks can occur at any time. Do not wait. Contact your financial services professional today and make an appointment for your family's future well-being before it is too late.

Example assumes: Joe is rated preferred, and Jean is rated standard. The permanent life insurance quoted is Signature Indexed Universal Life Insurance, and the term life insurance quoted is ANICO Signature Term. The use of alternative assumptions in these examples could produce significantly different results. These hypothetical examples are intended solely for illustrative purposes and should not be relied upon as being typical of any individual.



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