UNIVERSAL LIFE INSURANCE

Universal life insurance (UL) adds a layer of security to policies with the ability to combine death protection with savings, and a layer of convenience with adjustable premiums and payment schedules. Premiums are paid to the insurance company. The insurance company subtracts the cost of insurance and other expenses each month. It then credits interest in a cash accumulation account. And UL policies are transparent. By reviewing the annual statement, policyholders can monitor the cash value growth in the policy and see the expenses and the interest crediting rate. As long as the cash surrender value is sufficient to pay the annual costs of insurance, policyholders can actually skip a premium, or reduce or increase the premium.

THE TWO MOST COMMON TYPES OF UNIVERSAL LIFE ARE AUL AND GUL

Each policy has a face amount, scheduled premiums, and builds up cash value on a tax deferred basis. Here's where they differ:

Accumulation Universal Life (AUL): AUL policies have flexible premiums and are typically used to build up cash surrender values. They can be funded with minimum premiums (to keep the policy in force for a specified period of time) or higher premiums (to build up larger tax-deferred cash surrender values). The growth of the cash value depends upon the insurance company interest crediting rate. AUL policies have a minimum guaranteed interest rate and a maximum guaranteed cost of insurance.

Guaranteed Universal Life (GUL): The next generation in universal life, GUL policies have flexible premiums and an accumulation value, and are designed so that both the death benefit and the premium is guaranteed. The cash values are lower because more of the premiums are used to fund reserves required by law. Such extra reserves are needed to pay for long-term guarantees. GUL policies are ideal for people who want guarantees but are not interested in cash value accumulation. Any change in GUL policies, such as a policy loan or missed premium, could result in a higher premium when recalculated.

DEATH BENEFIT OPTIONS

The death benefit at time of policy issue is the initial face amount.

Policyholders have two options:

OPTION 1 (LEVEL)
The death benefit until age 100 and beyond is equal to the face amount.

OPTION 2 (INCREASING)
The death benefit until age 100 is equal to the face amount plus the cash surrender value.

WHAT IS LOW-LOAD LIFE INSURANCE?

Low-load life insurance is insurance sold without the typical agent commissions. That allows for lower expenses for marketing, sales, and administration. And unlike traditional UL, the policy begins to build cash value immediately without any surrender charges. All other aspects of low-load life insurance solutions mirror traditional life insurance. LLIS can help you find the best fit, whether it's traditional UL or low-load UL (and LLIS offers more low-load policies than any other insurance agency).

CASHING IN A POLICY EARLY

The policy type determines the consequence. When policyholders cash in a ***loaded policy*** early, they'll face what's known as surrender charges. A surrender charge reduces the policy's gross cash values upon cancellation or withdrawal. Surrender charges are designed to discourage early cancellations or early loans. ***Low-load policies*** do not have surrender charges.

WHO IS LLIS?

We are The Advisor's Insurance Advisor,® experts in matching people with the right protection. Fee-only financial advisors count on us to help secure their clients' wealth and security.