

The Ziff Agency Monthly



From the Desk of Adam Ziff
The Ziff Agency, LLC



What Is Universal Life Insurance and How Does It Work?

Life insurance protects you against both the inevitable and the unforeseen. Whether it is a sudden tragedy or the simple reality of death and taxes, coverage helps your family to pay for post-mortem bills, personal support and lost income.

This is generally smart no matter your personal circumstances, as dying can be surprisingly expensive. If you are married, life insurance is an even better idea. If you are a parent with young children it is an absolute necessity.

There are, however, several types of life insurance. One of the more comprehensive ways to provide for your family after death is a universal policy. Here's how it works.

There are two main forms of life insurance to choose from:

- **Term Life Insurance** - These policies cover you for a specific, contracted period of time. For example, if you take out a 10-year term life insurance policy, it will pay benefits if you die any time during that 10-year period so long as you have kept current with your premiums.
- **Permanent Life Insurance** - These policies cover you for your entire life as long as you pay your premiums. They pay benefits when you die, but because it is certain that you will die at some point during the coverage period, these policies are almost always more expensive than term life insurance.



Current News:

New Bill Would Allow More Annuities in 401(k) Plans
P.2

The Underwriter's Corner P.2

Famous Estate Planning Blunders:
Jim Morrison
P.3

Infographic:
Life Insurance Facts
P.3

Ph: 212.796.5433

Ph: 949.393.5433

Ph: 941.922.9433

Ph: 305.363.5433

adam@theziffagency.com

www.theziffagency.com

Current News:

New Bill Would Allow More Annuities in 401(k) Plans

The SECURE Act is one step closer to becoming law, and with it, Americans would see a few tweaks to the way the retirement system works.

As part of the SECURE Act, which the House of Representatives passed last month, individual retirement accounts' age cap would be lifted, small businesses would have more avenues to offer retirement plans to their employees and part-time workers would get access to 401(k) accounts. The legislation would also boost the use of annuities in retirement accounts.

Currently, plan providers have the fiduciary responsibility to vet annuities but under the safe harbor provision of the SECURE Act, the onus would be placed on insurers to provide employers with the right products. Employers would be given guidance on how to ensure those providers and their products are up to par, including reviewing the insurers' status under state insurance regulation and enforcement.

Annuities get people thinking about the long-term, and the extra long-term. Not only do they provide a benefit for retirees, but they do so for the course of their lives, which can be longer than anticipated.

(Source: MarketWatch)

Unlike most life insurance policies, universal life insurance also has a cash savings component. A portion of each premium that you pay is set aside and invested in a savings account that grows over time. The account interest is typically set at market rates, although certain universal life insurance policies let you invest this account according to policy-specific rules.

In addition to the savings component, a universal life insurance policy also tends to offer much more flexibility as compared to other permanent coverage options. You can adjust your premiums and benefits according to your needs and the flexibility offered by the policy's cash savings account.

Universal Life Insurance vs. Whole Life Insurance

Universal life insurance is similar in many ways to whole life insurance. Both are permanent policies that offer a savings component in addition to the insurance benefit. Together they are the most common forms of permanent life insurance. However, they have a few key differences. The most important are:

- **Savings Return** - A whole life policy has a fixed, guaranteed rate of return. A universal policy has its rate or return set either by the market or (in some cases) your investment choices.

- **Death Benefit** - A whole life policy has a fixed death benefit. With a universal policy you can adjust the death benefit as needed.

- **Premium Flexibility** - A whole life policy has a fixed premium. With a universal policy you can adjust the premium by adjusting the death benefit or accessing the savings account.

The Cash Value Savings Account

Universal life insurance comes with a cash value savings account. This means that a portion of each premium goes into an interest-bearing savings account that you can access under certain circumstances. With a universal life insurance policy, money market interest rates typically set the rate of return your account will see. In some cases the policy will give you additional options for how to invest this money.

This is not a savings account from which you can freely withdraw. It is structured, and you can only take money out of it based on certain restrictions. It is important to understand that this is not a simple investment account. Instead, the cash value gives you alternatives to waiting for an insurance payment in old age or it can let you build in some premium flexibility.

Paying higher premiums will build the value of your account faster, as this will make larger donations to your cash value savings account.

(Source: TheStreet.com)

The Underwriter's Corner: *Underwriting Q & A*

Life Insurance with No Medical Exam

No-exam life insurance is also referred to as “no physical,” “no health exam,” and “no medical” policies. These policies have no full physical health exam required. If you wish to avoid a medical examination, you will have to shop exclusively for no-exam life insurance policies. These tend to be a bit more expensive, but they are less invasive and faster to acquire. However, it's important to note that even with this type of policy, you will still have to apply and go through a thorough phone interview. Additionally, insurance companies have access to your records from the Medical Information Bureau and the DMV, and they often check both.

(Source: Insurify)

Life Insurance Facts

There are two main types of **Life Insurance**:

Term Life Insurance

Term Life Insurance offers cover at a fixed rate for a temporary period of time. If you pass away during the selected period of coverage, your beneficiaries will be paid out through a lump sum.

Whole Life Insurance

Whole Life Insurance offers lifelong coverage and includes an investment component. This means that you'll receive a payout if the policy is cancelled. If you pass away, your beneficiaries will receive the amount.

What factors influence your **Life Insurance** premium?

AGE



Life Insurance cover is generally much cheaper when you are **younger** and **healthier**.

HEALTH



If you're **overweight** or have a **pre-existing health condition**, you might pay a higher premium than the average person, due to your risk profile.



SMOKING

Smokers are likely to incur higher Life Insurance premiums than people who do not smoke. Most Life Insurance providers will, however, reduce your monthly premium if you stop smoking.



LIFESTYLE

Life Insurance premiums are usually higher if you engage in **high-risk activities**, like skydiving or extreme sports.



PROFESSION

If you're a firefighter or work in the mining industry, you may pay a higher premium as some Life Insurance providers charge more if you have a **high-risk job**.

INSURANCE 101 Famous Estate Planning Failures



NAME: Jim Morrison

DIED: July 3, 1971

AGE: 27

CAUSE: Congestive heart failure

ESTATE BLUNDER:

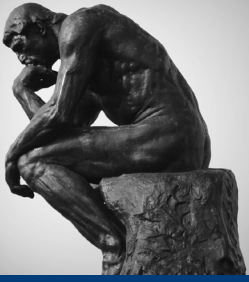
Having an overly simplistic will

Overly simplistic wills often fail to consider what happens when the primary beneficiary subsequently dies. Jim Morrison, lead singer of the rock group The Doors, died at age 27 with a simple two-page will. Morrison's will declared that he was unmarried and had no children, and he bequeathed his entire estate outright to his girlfriend, Pamela Courson, if she survived him, or if not, in equal shares to his brother and sister. Courson inherited the estate, but she died intestate less than three years later, and the estate passed outright to her parents.

Morrison's parents then made a claim against their son's estate, arguing that Morrison was incompetent to make a will and that Morrison's common-law marriage to Courson was illegitimate. Had Morrison's parents been successful, Morrison's estate would have passed by intestacy, and his parents would have been the beneficiaries.

(Source: Hippo.co.za)

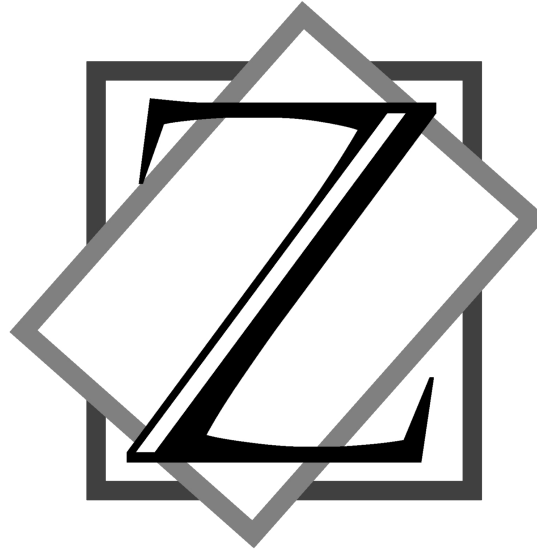
(Source: AmericanBar.org)



HERE'S A THOUGHT...

"The quality of a father can be seen in the goals, dreams and aspirations he sets not only for himself, but for his family."

- Reed Markham



The Ziff Agency, LLC

www.theziffagency.com

*Happy Father's Day!
Make sure your family is protected
and have your Life Insurance
reviewed today!*