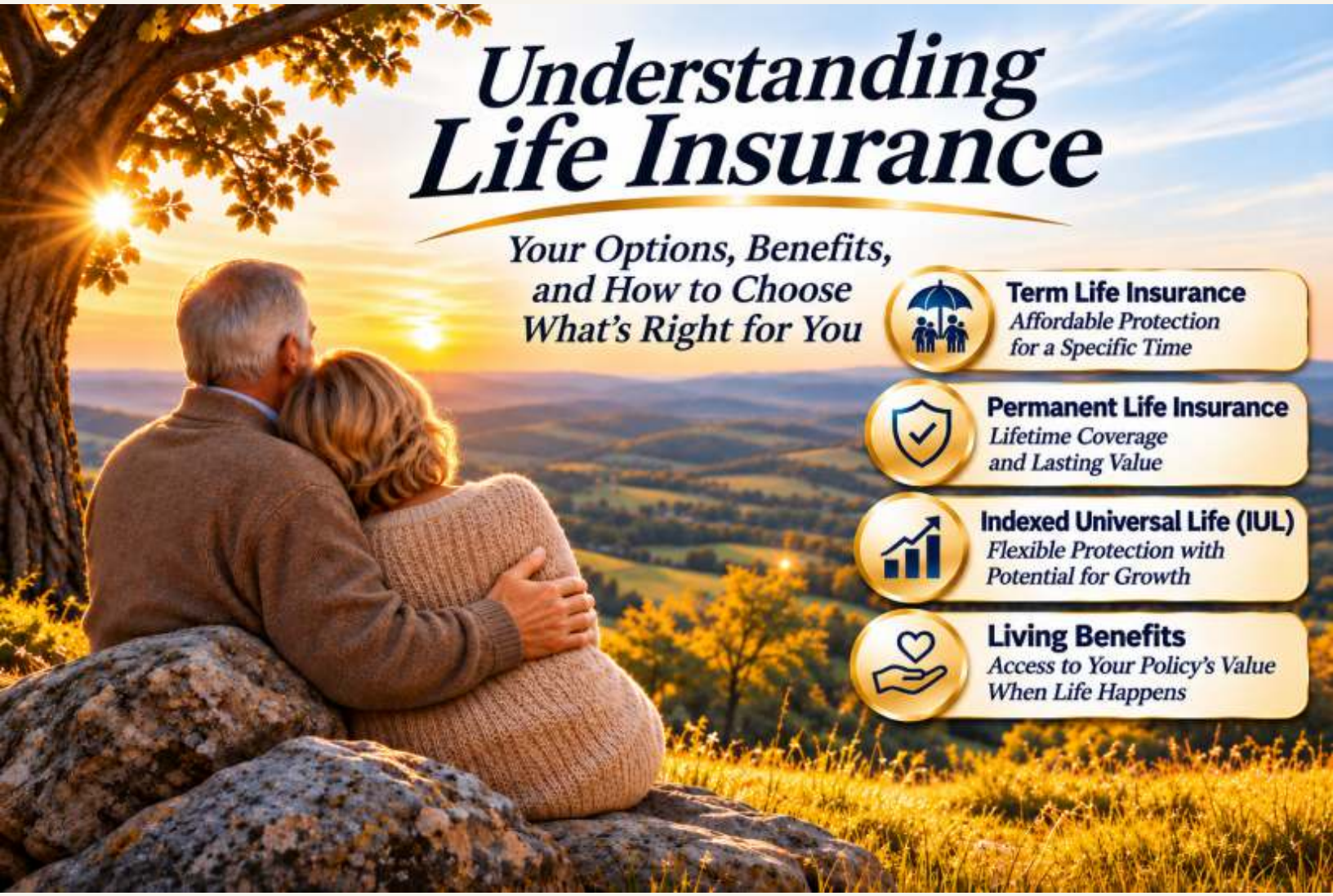

INSURANCE & FINANCIAL PLANNING / FAMILY EDUCATION SERIES

Life Insurance: Planting the Seeds

of Financial Security for Those We Love

By Jennifer Gaston

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Life Insurance: Planting the Seeds



By Jennifer Gaston
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Understanding term insurance, permanent protection, Indexed Universal Life, living benefits, and the lasting legacy of thoughtful planning.

“Someone is sitting in the shade today because someone planted a tree a long time ago.” —Commonly attributed to Warren Buffett

There is something profoundly meaningful about that simple observation. The person who planted the tree may never have enjoyed its full shade. Perhaps they never lived to see its branches spread or its roots grow deep. Yet their foresight, effort, and willingness to think beyond themselves created something valuable for another person. Life insurance, when thoughtfully selected and properly maintained, can accomplish something remarkably similar. It represents a decision made today to provide protection, opportunity, and financial security for people we love —sometimes decades into the future. But life insurance is not simply about dying. Depending on the type of coverage, it can also provide financial flexibility, access to funds during serious illness, and opportunities to accumulate value throughout our lives. Understanding these differences can help us make decisions that benefit both ourselves and future generations.

Life Insurance: A Promise That Extends Beyond Our Lifetime

When someone dies, the emotional loss is immeasurable. Unfortunately, financial responsibilities often continue uninterrupted. Mortgages remain due. Household expenses continue. Children may still need financial support. Medical expenses and funeral costs can create immediate obligations. Life insurance cannot replace a parent, spouse, or grandparent. It cannot restore a familiar voice or provide another opportunity to say goodbye. But it can help preserve the home, provide financial stability, protect educational opportunities, and give surviving family members time to grieve without facing an immediate financial crisis. That is why life insurance should be viewed not merely as an expense, but as an important component of a family's financial protection strategy.

Term Life Insurance: Protection for a Defined Period

Term life insurance provides coverage for a specified period, commonly 10, 20, or 30 years. If the insured person dies while coverage is in force, the policy pays its applicable death benefit to the designated beneficiaries. Term insurance is generally the most affordable way to purchase substantial death benefit protection initially. For a young family with a mortgage, dependent children, and limited disposable income, term insurance can be an excellent solution. Its greatest limitation, however, is that coverage is temporary. When the term expires, the insured may face substantially higher renewal premiums, reduced options, or termination of coverage. Someone who purchased a 20-year term policy at age 40 may discover at age 60 that maintaining protection is considerably more expensive. Some term policies offer conversion privileges, allowing the policyholder to convert to permanent insurance without additional medical underwriting, subject to contractual restrictions. Term insurance is not inherently inferior to permanent insurance. It simply serves a different purpose.

Permanent Life Insurance: Protection Designed for the Long Term

Permanent life insurance is intended to provide coverage throughout the insured's lifetime, provided the policy remains in force under its terms. Depending on the product, permanent insurance can also accumulate cash value that may be accessed during life. The principal categories include whole life insurance, universal life insurance, Indexed Universal Life, and variable universal life. Each has distinct advantages, limitations, costs, and risks.

Whole Life Insurance

Traditional whole life insurance generally provides guaranteed premiums, guaranteed death benefits, and guaranteed cash value growth, assuming contractual requirements are satisfied. It can appeal to individuals who value predictability and lifelong protection.

Universal Life Insurance

Universal life insurance offers greater flexibility in premiums and, depending on the policy, death benefit options.

Indexed Universal Life: Combining Protection With Growth Potential

Indexed Universal Life insurance, commonly called IUL, is a form of permanent life insurance that combines a death benefit with the potential to accumulate cash value through interest-crediting methods linked to the performance of an external market index. An IUL policy might use an index such as the S&P 500 as a reference for determining interest credits.

Importantly, the policyholder generally does not invest directly in the index or own the underlying stocks. Instead, the insurance company credits interest according to a contractual formula.

How Indexed Universal Life Works

Many IUL policies include three important features:

1. Growth potential linked to an index

Cash value may receive interest credits based on index performance, subject to policy-specific participation rates, caps, spreads, or other limitations. For example, an index might increase 12% during a particular crediting period, but a policy with an 8% cap would generally credit no more than 8% to that indexed segment, before applicable policy charges.

2. Protection against negative index credits

Many IUL policies include a 0% floor on indexed interest credits. If the referenced index declines during a crediting period, that segment may receive no indexed interest rather than a negative interest credit.

3. Flexible premiums and access to cash value

IUL policies may permit flexible premium payments and offer access to available cash value through policy loans or withdrawals. These features can be useful, but they require careful policy management. Loans accrue interest, withdrawals can reduce benefits, and excessive borrowing or inadequate funding can cause a policy to lapse.

IUL as Part of a Long-Term Financial Strategy

For certain individuals, a properly structured and adequately funded IUL policy may serve multiple objectives: Providing permanent death benefit protection. Accumulating potential cash value over time. Offering access to policy values for future financial needs. Providing eligible accelerated benefits during qualifying serious illnesses when

appropriate riders are included. Creating a financial legacy for children, grandchildren, or other beneficiaries. Some individuals also consider IUL as a potential source of supplemental retirement income through policy loans and withdrawals. However, illustrated future values are not guaranteed. Policy costs, loan interest, index- crediting limitations, and long-term performance can significantly affect results. Loans and withdrawals are not automatically tax-free in every circumstance, particularly if a policy becomes a Modified Endowment Contract or lapses with outstanding indebtedness. IUL is not a substitute for a retirement account, and its suitability depends on an individual's financial circumstances, protection needs, and tolerance for complexity. The objective should never be to purchase an insurance product simply because an illustration shows attractive future numbers. The objective should be to select a strategy that remains appropriate and sustainable under realistic conditions.

Living Benefits: When Protection Can Matter Before Death

For generations, life insurance was primarily associated with money paid to beneficiaries after an insured person's death. Today, certain policies offer features that may provide access to benefits during the insured's lifetime. These are commonly called *living benefits*. Imagine a family whose primary income earner experiences a serious medical diagnosis. The household may suddenly face reduced earnings, increased caregiving responsibilities, transportation costs, and unexpected expenses. At a time when financial flexibility becomes especially important, qualifying life insurance benefits may provide valuable assistance.

Terminal Illness Benefits Some policies permit acceleration of part of the death benefit when the insured receives a qualifying terminal illness diagnosis.

Chronic Illness Benefits Certain policies provide benefits when the insured meets defined chronic illness criteria, such as being unable to perform specified activities of daily living or

experiencing qualifying severe cognitive impairment.

Critical Illness Benefits Some contracts offer accelerated benefits following specified medical events or diagnoses, potentially including qualifying cancers, heart attacks, or strokes.

Long-Term Care Riders Certain life insurance policies offer riders intended to help with eligible long-term care expenses. These may provide access to death benefits or, in some products, additional coverage for qualifying care. Living benefits vary substantially by policy and insurer. They may involve waiting periods, medical certification, fees, benefit limitations, and reductions to the remaining death benefit. They should not be assumed to exist simply because a policy is permanent or is marketed as IUL.

Term Versus Permanent Insurance: Choosing the Right Protection

The most appropriate type of life insurance depends on what the coverage is intended to accomplish.

Consideration

Term Life

Permanent Life

Coverage Duration

Defined period

Potentially Lifelong

Initial Premium

Generally Lower

Generally Higher

Cash Value

Typically None

Often Available

Living Benefits

May Be Available

May Be Available

Premium Flexibility

Usually Limited

Depends on Policy

Legacy Planning

During Covered Term

Long-term Potential

Many families may benefit from a combination of term and permanent coverage.

For example, substantial term insurance might protect against the loss of income during working years, while a smaller permanent policy provides protection intended to remain in place throughout life. The decision should be based on affordability, actual insurance needs, contractual guarantees, and long-term objectives —not simply on whether one product is more sophisticated than another.

The Connection Between Life Insurance and Funeral Preplanning

One important consideration is frequently overlooked: Having life insurance does not mean someone has made arrangements for their funeral.

A substantial life insurance policy may provide financial resources to beneficiaries, but it does not necessarily establish funeral preferences, select a funeral home, or guarantee that funds will be immediately available when expenses arise. Families may still be left wondering: Would our loved one have preferred burial or cremation? Was a traditional funeral important to them? Would they have wanted a religious service, visitation, or gathering of friends? How much should we spend? Who is responsible for making the decisions? These questions often arise during one of the most emotionally difficult periods in a family's life. Funeral preplanning allows individuals to express their wishes, consider anticipated costs, and determine whether dedicated funding is appropriate. A properly designed preneed arrangement may complement broader life insurance coverage by addressing a specific and predictable future expense.

The two forms of planning can work together. Life insurance may protect the family's broader financial future. Funeral preplanning may help protect the family from uncertainty, disagreements, and immediate financial decisions surrounding final arrangements. Neither automatically accomplishes the purpose of the other.

Planting a Tree We May Never Sit Beneath

Return for a moment to the image of someone planting a tree. A person who plants a tree does not necessarily know who will someday rest beneath its branches. Perhaps it will be their children. Perhaps their grandchildren. Perhaps someone they will never meet. Yet the decision to plant it creates a possibility that would not otherwise exist. Financial planning can operate in much the same way. A life insurance policy purchased while someone is young and healthy may someday allow a surviving spouse to remain in the family home. A carefully maintained permanent policy may provide an inheritance that helps a grandchild pursue an education. A thoughtfully structured IUL policy may offer financial flexibility during the policyholder's lifetime while preserving a death benefit for beneficiaries, depending on policy performance and how benefits are used. And a prepaid funeral arrangement may spare loved ones from difficult financial choices at a moment when their attention should be directed toward remembrance, healing, and supporting one another. These decisions are not merely financial transactions. They are expressions of responsibility, foresight, and love.

Five Questions Every Family Should Consider

1. **Would the people who depend on me remain financially secure if I died tomorrow?** Consider income replacement, outstanding debts, and ongoing family obligations. 2. **Will my existing insurance still be there when it is needed?** Review policy expiration dates, premium requirements, guarantees, and potential lapse risks. 3. **Could my coverage provide financial assistance during my lifetime?** Ask about living

benefits, available cash value, policy loans, and contractual limitations. 4. **Would term, whole life, universal life, or IUL best serve my objectives?** Evaluate the

costs, benefits, risks, and sustainability of each option with a qualified professional. 5. **Have I communicated my final wishes and made appropriate arrangements for their

funding?**

Financial preparation and personal preparation are equally important.

The Legacy We Leave Is Built by the Decisions We Make Today

There will come a day when the decisions we make now may matter more to someone else than they do to us. A surviving spouse may discover that the home can remain theirs. A child may realize that a parent's foresight protected opportunities that otherwise would have been lost. A family may gather to celebrate a life without the additional burden of wondering how to pay for the funeral or what their loved one would have wanted. These are the quiet rewards of thoughtful preparation. Life insurance, living benefits, permanent coverage, and funeral preplanning are not simply products or financial instruments. Used appropriately, they are tools for protecting dignity, preserving choices, and caring for the people who matter most. And like the person who plants a tree knowing others may someday enjoy its shade, we have an opportunity to create something meaningful beyond our own lifetime.

We may never sit beneath the tree we plant today. But someone we love might.

And perhaps that is one of the most beautiful reasons to plant it.

MyPrePlanning.com is committed to helping individuals and families make informed decisions about funeral preplanning, financial preparedness, and protecting those they love. *Educational Notice: This article is for general educational purposes and does not constitute individualized insurance, financial, investment, legal, or tax advice. Life insurance products and riders vary by insurer and state. Indexed Universal Life policies involve expenses, non-guaranteed interest crediting, and potential lapse risk. Consult appropriately licensed professionals and review actual policy provisions before making financial decisions.*