

A Guide to Life Insurance

Life insurance has evolved over centuries, beginning with ancient burial benefits provided by Greek and Roman religious societies. In North America, the first life insurance company was founded in 1759 in Philadelphia, offering relief to Presbyterian ministers and their families.

Today, life insurance offers a range of benefits beyond basic protection. It can serve as a financial tool for building cash value, planning for retirement or college, and providing tax advantages. However, selecting the right policy can be challenging due to the variety of options available.

This Guide to Life Insurance provides essential information on different types of life insurance, common terms, and practical uses for coverage. Whether you're considering term insurance or permanent/cash value insurance, understanding the terminology and available riders is essential.

As you review this guide, remember that each insurance contract is unique, with its own features and provisions. If you have questions about your current coverage or want to explore your options further, don't hesitate to reach out for personalized assistance at 810-600-2503.

Definitions:

- **Beneficiary:** The recipient of the life insurance benefits upon the insured's death.
- **Cash Value:** The tax-deferred account that accumulates within certain permanent life insurance policies.
- **Coverage:** The specified amount of money paid to the beneficiary upon the insured's death.
- **Insurable Interest:** The financial interest that justifies purchasing life insurance on another person's life.
- **Insured:** The person whose life or health is covered by an insurance policy.
- **Policy Owner:** The individual or entity that owns the life insurance policy.
- **Premium:** The payment made to the insurance company to purchase and maintain life insurance coverage.
- **Tax-Deferred:** Refers to the growth of cash value within a permanent life insurance policy, which is not taxed until withdrawn or surrendered.

Term Insurance:

Term insurance offers temporary coverage for a specified period, providing a death benefit if the insured dies during the term. Different types include:

Annual Renewable Term (ART): Renewable annually with potentially increasing premiums.

Decreasing Term: The death benefit decreases over time, typically used to cover specific debts.

Level Term: Provides a fixed death benefit and premium for a set term, often used for family protection or income replacement.

Uses of Term Insurance:

Term insurance is commonly used to protect against income loss, pay off debts, or cover specific expenses like mortgages or college tuition. It can also serve less conventional purposes, such as settling outstanding debts, creating an estate, or funding charitable gifts.

Permanent/Cash Value Life Insurance:

Permanent life insurance offers lifelong coverage with a cash value component. Common types include:

- Whole Life: Offers level premiums, guaranteed death benefits, and cash value accumulation.
- Universal Life: Provides flexible premiums and coverage amounts, with potential cash value growth.
- Variable Life: Combines life insurance with investment options, allowing for variable cash value growth based on market performance.
- Survivorship (Second to Die): A form of whole life, variable life, universal life, or variable universal life insurance. It covers two individuals with one insurance policy that pays a death benefit after the death of the second insured.

Uses of Permanent Life Insurance:

In addition to providing death benefits, permanent life insurance can be used for retirement planning, college savings, mortgage payoff, or funding business transfers. It offers tax-deferred growth and liquidity through policy loans or withdrawals.

Insurance Riders:

Riders are optional add-ons to life insurance policies that expand or limit coverage. Examples include accidental death benefits, spouse or children's insurance, disability coverage, or living benefits for terminal illnesses. Riders offer additional flexibility and customization to your life insurance coverage.

In conclusion, life insurance is a versatile financial tool that can provide protection, savings, and tax advantages. By understanding your options and needs, you can select the right policy to achieve your financial goals and provide security for your loved ones.

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To receive the 2013 Five Star Wealth Manager award, researched and managed by Five Star Professional, a wealth manager must meet 10 objective eligibility and evaluation criteria associated with wealth managers who provide quality services to their clients. 2,762 wealth managers in the area were considered for the award. 749 were named 2013 Five Star Wealth Managers which represents less than 28% of the total wealth managers in the area. Wealth managers do not pay a fee to be considered or placed on the final list of 2013 Five Star Wealth Managers. The Five Star award is not indicative of the wealth manager's future performance.

To receive the 2014 Five Star Wealth Manager award, researched and managed by Five Star Professional, a wealth manager must meet 10 objective eligibility and evaluation criteria associated with wealth managers who provide quality services to their clients. 3,448 wealth managers in the area were considered for the award. 658 were named 2014 Five Star Wealth Managers which represents less than 20% of the total wealth managers in the area. Wealth managers do not pay a fee to be considered or placed on the final list of 2014 Five Star Wealth Managers. The Five Star award is not indicative of the wealth manager's future performance.

To receive the 2015 Five Star Wealth Manager award, researched and managed by Five Star Professional, a wealth manager must meet 10 objective eligibility and evaluation criteria associated with wealth managers who provide quality services to their clients. 2,238 wealth managers in the Detroit area were considered for the award. 627 were named 2015 Five Star Wealth Managers which represents less than 29% of the total wealth managers in the area. Wealth managers do not pay a fee to be considered or placed on the list of 2015 Five Star Wealth Managers. The Five Star award is not indicative of the wealth managers future. Wealth managers do not pay a fee to be considered or awarded. Once awarded, wealth managers may purchase additional profile ad space or promotional products. The award methodology does not evaluate the quality of services provided and is not indicative of the winner's future performance. Wealth managers may or may not use discretion in their practice and therefore may not manage their client's assets. The inclusion of a wealth manager on the Five Star Wealth Manager list should not be construed as an endorsement of the wealth manager by Five Star Professional, HOUR Detroit or DBusiness. Working

