



## The Importance of Life Insurance

By Steven Gallo

As a parent, one of the things I often think about is how I can take care of my family beyond my lifetime. For most of us, we spend our lifetime with a single goal in mind: to be able to provide for our families, and every day we work toward that goal. In the short term, we work to make sure our family's need are met, and long-term, we try to save money and invest wisely so that, when the time comes, our children will be taken care of.

When planning for the future, many of us understand the importance of having a will to make sure that our assets are distributed in the manner we choose. However, what most people don't realize is the important role life insurance can play in planning for your family when you've passed on. It's one of the best ways one can protect against the financial consequences of a death; yet only about six out of 10 Americans actually own life insurance. Further, once you decide to buy life insurance, you need to determine which type of policy is right for you, which can be a difficult process. Below are a few main categories to evaluate when shopping for a policy:

- **Term Life Insurance:** Term life insurance is the most basic and usually the most affordable. Policies can be purchased for a specified period of time. If you die within the time period defined in your policy, the insurance company will pay your beneficiaries the face value of your policy. Policies can usually be bought for one- to 30-year time spans. Annual renewable term insurance usually can be renewed every year without proof of insurability, but the premium may increase with each renewal. Term insurance is useful if you can afford only a low-cost option or you need life insurance only for a certain amount of time (such as until your children graduate from college).
- **Permanent Life Insurance:** The other major category is permanent life insurance. You pay a premium for as long as you live, and a benefit will be paid to your beneficiaries upon your death. Permanent life insurance typically comes with a "cash value" savings element. There are three main types of permanent life insurance: whole, universal, and variable.
- **Whole life insurance.** This type of permanent life insurance has a premium that stays the same throughout the life of the policy. Although the premiums may seem higher than the risk of death in the early years, they can accumulate cash value and are invested in the company's general investment portfolio. You may be able to borrow funds from the cash value or surrender your policy for its face value, if necessary.

Access to cash values through borrowing or partial surrenders can reduce the policy's cash value and death benefit, increase the chance that the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured. Additional out-of-pocket payments may

be needed if actual dividends or investment returns decrease, if you withdraw policy values, if you take out a loan, or if current charges increase.

- **Universal life insurance.** Universal life coverage goes one step further. You have the same type of coverage and cash value as you would with whole life, but with greater flexibility. Once money has accumulated in your cash-value account, you may be able to vary the frequency, as well as the amount, of your premiums. In fact, it may be possible to structure the policy so that the invested cash value eventually covers your premium costs completely. Of course, it's important to remember that altering your premiums may decrease the value of the death benefit.
- **Variable life insurance.** With variable life insurance, you receive the same death protection as with other types of permanent life insurance, but you are given control over how your cash value is invested. You have the option of investing your cash value in stocks, bonds, or money market funds. The value of your policy has the potential to grow more quickly, but there is also more risk. If your investments do not perform well, your cash value and the death benefit may decrease. However, some policies provide a guarantee that your death benefit will not fall below a certain level. The premiums for this type of insurance are fixed and you cannot change them in relation to the size of your cash-value account.

Variable universal life is another type of variable life insurance. It combines the features of variable and universal life insurance, giving you the investment options as well as the ability to adjust your premiums and death benefit.

Keep in mind that the cost and availability of insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving insurance, it would be prudent to make sure that you are insurable. And, as with most financial decisions, there are expenses associated with life insurance. However, purchasing a life insurance policy can be one of the best decisions a person can make for their family's financial future. At Marzano Capital Group, we offer a wide range of life insurance options. To schedule an appointment to discuss your options, please give us a call at 336-766-0464, or email us a [amcgilvary@marzanocapitalgroup.com](mailto:amcgilvary@marzanocapitalgroup.com).

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*Guarantees are based on the claims paying ability of the issuing company.*

*Variable Universal Life Insurance/Variable Life Insurance policies are subject to substantial fees and charges. Policy values will fluctuate and are subject to market risk and to possible loss of principal. Guarantees are based on the claims paying ability of the issuer.*

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