INSURANCE

A BIBLICAL PERSPECTIVE

Insurance can act as a means of protection and provision for you and your family. Buying insurance does not signal a lack of faith. Rather, it simply demonstrates prudence and good stewardship in planning for an uncertain future. Problems can surface when too much or too little insurance is purchased. Our Scriptural responsibility is to provide for our families, not overprotect them. Leaving heirs "set for life" may not be the best plan for their future. Decisions regarding the amount of insurance to purchase should be based around current budget goals and family needs.

"If a man doesn't believe in life insurance, let him die once without it. That will teach him a lesson."

Will Rogers

"A prudent man sees danger and takes refuge."
PROVERBS 22:3

TOOLS FOR INSURANCE PLANNING

Today's insurance market is characterized by confusion and uncertainty due to the abundance of available products and the difficulty that can exist in comparing similar policies. In general, owning insurance is a way to minimize or control financial risk. There are many different types of insurance to cover multiple risks. Two main types of insurance are life and disability. Life insurance provides for the financial needs of one's family in the event of death, and can also provide estate liquidity. Disability insurance provides guaranteed future income if the policyholder becomes unable to work because of an illness or injury.

LIFE INSURANCE

Life insurance plays an integral part in a sound financial plan. Buying it does not demonstrate a lack of faith, unless the amount purchased is so excessive that it causes the person to no longer be dependent on God. All life insurance companies deal with the same three components; mortality costs (probability of death), operating expenses and profits. Based on these three components; policy premiums are established. The insurance company collects premium payments and invests the funds to earn a profit. The company then uses the investment return and cash reserves to pay death benefits and operating and overhead expenses.

Life insurance needs are different for different stages of life. Typically, clients with a young, growing family have multiple financial needs (living expenses, debt repayments, children's education, and other personal goals), a greater need for long-term insurance. As net worth grows, the need for income replacement through insurance may decrease. Conversely, the need for life insurance for purposes of estate tax liquidity and flexibility may increase. An Insurance Needs Analysis can help match current needs to an appropriate level of coverage within the various types of insurance.

Tools For Insurance Planning

Continued

DISABILITY INSURANCE
This type of insurance replaces a portion of your income or salary in the event of disability. Important factors to consider in evaluating disability coverage are:

Amount: How much of your annual income do you require in the event of disability?

Definition of disability: Does it pay only if you are unable to perform your own occupation or unable to perform any occupation?

Renewal period: Is it non-cancelable and guaranteed renewable (so *your* future health is not a factor in continued coverage)?

Benefit period: How long will you receive the monthly benefit once payments begin? The duration most commonly available is to age 65.

Waiting period: How long, after you become disabled, do you have to wait until you begin receiving payments?

Partial disability: Are any benefits provided if you are able to return to work part-time?

Taxation of benefits: If the benefits are received from a policy where the premiums were paid by your employer, the benefits are taxable. If you paid for the policy yourself, the benefits are non-taxable.

LONG-TERM CARE INSURANCE
This type of insurance pays for the cost of various forms of extended nursing care. There are many levels of care, ranging from full-time care in a skilled nursing facility to part-time home care. Some states even have special programs to protect personal assets from being eroded by long-term care costs. The premium cost for long-term care insurance is based on factors such as:

- Your age when you purchase the policy
- The per day dollar benefit outlined in the policy
- The waiting period before benefits begin
- The length of time that the policy benefits are paid

(Note: Property, casualty, auto, medical and long-term care insurance policies should be reviewed annually by a qualified agent to ensure adequate coverage at competitive rates.)

GLOSSARY OF INSURANCE TERMS

ACCIDENTAL DEATH RIDER: Additional insurance available (often double the face amount) if the insured dies as a direct result of an accident instead of an illness.

CASH SURRENDER VALUE: The amount available in cash on voluntary termination of a life insurance policy before it becomes payable by death or maturity.

CREDIT LIFE INSURANCE: Term life insurance issued through a lender or lending agency to cover repayment of a specific loan, installment purchase, or other obligation in case of the debtor's death.

DIVIDENDS: Non-taxable return of excess premiums due to lower-than-expected mortality costs, administrative expenses, and higher investment yields. The dividends can be taken as a cash payment, used to reduce premiums, used to buy paid-up additional insurance, or used to purchase additional term insurance.

FACE AMOUNT: The amount stated on the face of a life insurance policy that will be paid in case of death or at the maturity of the contract. It does not include dividend additions or additional amounts payable under accidental death or other special provisions.

GRADED PREMIUM WHOLE LIFE: A whole life contract for which the initial premium is low, but increases yearly until it levels off sometime between the tenth and twentieth years.

JOINT-AND-LAST SURVIVOR POLICY: A policy issued on two lives under which the benefit is paid when both have died. Also commonly referred to as "second-to-die" policies.

KEY-MAN INSURANCE: Corporate-owned life insurance policies designed to cover the key employees; it may be written on a group or individual policy basis.

LEVEL PREMIUM INSURANCE: Life insurance for which the cost is distributed evenly over the premium paying period. The premium remains constant from year to year; it is more than the actual cost of protection in the earlier years of the policy and less than the actual cost in the later years. The excess paid in the early years accumulates a reserve.

ORDINARY LIFE INSURANCE: A form of whole life insurance with premiums due until the death of the insured or until the end of the mortality table used, whichever occurs first.

PERMANENT LIFE INSURANCE: A phrase used to cover any form of life insurance except term life. Generally this type of insurance accrues cash value (e.g., whole life).

Glossary Of Insurance Terms
Continued

POLICY LOAN: A loan made by an insurance company to the policyholder against the security of the cash value of the policy.

SINGLE PREMIUM WHOLE LIFE: A whole life policy in which the initial premium, together with interest earnings, is sufficient to pay the cost of the policy over its lifetime.

SPLIT DOLLAR: An arrangement, typically between an employer and employee, under which both parties share the premiums, cash values, and death benefits.

TERM INSURANCE: Insurance payable to a beneficiary at the death of the insured, provided death occurs within the specified period; term life insurance does not have any cash value.

UMBRELLA LIABILITY INSURANCE: A supplemental form of liability insurance, available to individuals to protect them against claims in excess of the limits of their primary policies for claims not covered by their property and casualty program.

UNIVERSAL LIFE INSURANCE: A flexible premium life insurance policy under which the policyholder may change the death benefit (with satisfactory evidence of insurability for increases) and vary the amount of annual premium payments. Premiums (less expense charges) are credited to a policy account from which insurance mortality expenses are deducted and to which interest is credited at rates that may change from time to time.

VARIABLE LIFE INSURANCE: Life insurance in which the policyholder selects from a menu of underlying investments for the cash accumulation in the policy.

VARIABLE UNIVERSAL LIFE INSURANCE: A form of life insurance that combines the flexible premium features of universal life with the investment component of variable life.

WAIVER OF PREMIUM: A provision that waives payment of disability premiums during a period of total disability.

WHOLE LIFE INSURANCE: Insurance payable to a beneficiary at the death of the insured; premiums may be payable for a specified number of years (limited-payment life) or for life (straight life). The insurer guarantees the death benefit payment if the owner pays all premiums, regardless of the insurer's actual mortality or investment experience.

SCRIPTURAL INSIGHTS ON INSURANCE

“Thus I hated all the fruit of my labor for which I had labored under the sun, for I must leave it to the man who will come after me."
ECCLESIASTES 2:18

"When there is a man who has labored with wisdom, knowledge and skill, then he gives his legacy to one who has not labored with them. This too is vanity and a great evil."
ECCLESIASTES 2:21

"Wisdom along with an inheritance is good and an advantage to those who see the sun. For wisdom is protection just as money is protection. But the advantage of knowledge is that wisdom preserves the lives of its possessors."
ECCLESIASTES 7:11-12

"It is good for a man that he should bear the yoke in his youth."
LAMENTATIONS 3:27

"But if anyone does not provide for his own, and especially for those of his household, he has denied the faith, and is worse than an unbeliever."
I TIMOTHY 5:8