

TERM LIFE INSURANCE VS. CASH VALUE LIFE INSURANCE

Understanding the differences between Term Life and Cash Value life insurance plans and which will benefit you the most, has always been complicated and confusing. Everyone has an opinion: advisors, experts, agents, family members and even friends. Our intent is to focus attention on some of the often overlooked issues to help our clients make informed decisions.

The debate revolves around the benefits or drawbacks of buying Cash Value life insurance (which includes whole, universal, variable and return of premium life programs) compared to purchasing a much less expensive term life insurance policy and using the savings to pay down debt and make investments. Both sides do their best to present mathematical data to support their opinion but this distracts people from understanding the true nature of each product.

At Zander our primary reason for offering Term Life insurance is that it provides the most affordable option for people to purchase the life insurance they need. First and foremost, life insurance is for protection and having the right amount of coverage is the most imperative goal. Significantly higher cost Cash Value plans not only reduce money available for other financial

priorities but limit the amount of coverage a family can afford . . . defeating the whole purpose of protection.

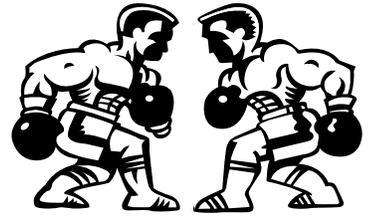
A principle concept of Cash Value plans is that people need life insurance for their “whole life”. This approach promotes the idea that you will always be in debt and unable to meet the obligations of your family. In reality, you only need life insurance for as long as your premature death represents a financial strain to your family. If you are out of debt and have built your savings, then why do you need to continue to pay for any type of policy? By getting rid of debt and maximizing other investment opportunities, the need for life insurance for your “whole life” is eliminated.

In addition, with guaranteed level Term Life plans offered for 15, 20, and 30, years the comment that Term Life plans are short term and will leave you without protection are exaggerated. Many will point out that term life policies pay fewer claims since they can expire while the insured is still alive. This is true . . . but does it matter if you don’t need the coverage any longer? Why is life insurance any different than home or auto coverage’s that only pay if there is a claim? Guaranteed level term life policies provide for secure and stable

(continued on reverse)

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insurance options and allow individuals to focus on other more beneficial financial goals.

Flexibility is often pointed out as a key benefit of Cash Value plans. Through forced savings, expenses for education, retirement and emergency needs can be bundled together for extra protection. This is a flawed approach since there are better investment options available for these circumstances. Programs such as 529's and ESA's (Education Savings Accounts), along with company matching retirement plans, 401-k's, Simple IRA's and especially Roth IRA's, offer far better investment options, tax benefits and rates of return than "investing" in a life insurance policy.

The real shortcoming of Cash Value policies is that they don't address the true needs of today's American families.

When cash value agents use mathematical data to prove their point they often overlook other key issues. They never seem to take into account the cost of your continuing debt while saving in their plan. In addition, access to your savings requires a loan and interest paid to the insurance company or a withdrawal which reduces the policy amount if not repaid. They also overlook that only the policy death benefit is paid to the beneficiary . . . not the savings. In the end clients continue to be in debt, have additional costs to access their money and do not receive their savings if they die.

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American families. We are a society strained by debt, struggling to balance our finances and responsibilities and over focused on spending. Cash Value plans weaken our ability to overcome these challenges since their product simply perpetuates the situation instead of helping solve it. This is a primary reason that over 50 million American families are either uninsured or underinsured today.

In the end, the strategy that we undertake at Zander Insurance is to assist our clients in finding the most affordable term life insurance plans available. This helps them focus on the ever-important process of establishing an emergency fund, getting out of debt and seeking out high quality investment opportunities to build wealth. We understand that term insurance is not the solution to all our client's financial needs but simply an important part of a plan that helps maximize their potential for financial peace and success. We hope that this information provides you a clearer picture of the reasoning for our commitment to term life insurance and assists in your decision making process. We look forward to being of service to you.