

Purpose Driven Life Insurance



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Galveston, TX

Has someone ever called you on the phone and tried to sell you life insurance or another product without knowing anything about you or your specific situation?



That would be the same as telling someone what car to buy without knowing about the individual's specific needs. Does the individual have five children and require a mini-van or does the individual have no children and a limited budget and have a need for a compact car? For anyone making the decision as to what car to purchase, they try to gather information about their options in the marketplace and make an informed decision based upon their needs, available resources, personal taste and goals and objectives.

The same is true for the purchase of life insurance. One size does not fit all. Life insurance needs to satisfy a purpose in your life and that of your family or there is no need for any insurance other than what it takes to put you in the ground when you die. However, for our lives to have purpose, we need family, friends, religious organizations and other charities to bring meaning to our lives. Being able

to help and take care of those that provide us a purpose in life is essential. Assessing the needs of family, friends and charity who may count on us for support is the first step in deciding how to protect the ones we love.

Like purchasing a car, the more you know about life insurance, the better able you will be to make an informed decision that meets your needs relative to purpose for the coverage, types of insurance, the right amount for you and your family and at a cost that you can afford. This brochure will provide you more information on life insurance, its uses and its features so that you can decide what course of action will result in maximizing the protection you provide family, other loved ones and charity.

Purpose of Life Insurance

Provide for Family

The single greatest purpose for life insurance is to help protect your family if anything happened to you and your spouse. Are you going to continue to live on the edge hoping all goes well and thinking your family will not need additional life insurance because you will always be there to take care of them and never die or become disabled? Taking that position is playing with fire and some will always get burned. Is that the legacy you want to leave the ones you care about the most? If you feel so bullet proof, why do you have car insurance? You have car insurance because something can happen that is out of your control. And that is different from having life insurance, how? We purchase insurance because risk of loss is a part of our lives and we decide to pay a much smaller amount currently to cover the potentially devastating ongoing risks we face in this world. The risk of dying is definitely a catastrophic risk. Any other risk may be a temporary risk. Death is nothing if not permanent. If we die, who will pay to put children and grandchildren through school? If we die, how long do surviving spouse's have to recognize the position they are in and make adjustments such as liquidating the family home and moving into an apartment; taking children out of private schools or being unable to continue to fund college education today or in the future? What are the difficult choices your surviving spouse will have to make alone without the funds to obtain advice or counsel? What kind of retirement will your surviving spouse have and how much money will they have to continue the lifestyle you both have created? What type of future will you leave your spouse? Your children? Your grandchildren? The people you love the most? Failure to insure for these risks can and may lead to the destruction of your family. Think about it!

Family Uses for Life Insurance

The Following Is A Partial List Of The Purposes Life Insurance Can Provide For Your Family:

- **In that your earning power is the most valuable asset your family has until your retirement, help replace your income in order to help your family maintain their current standard of living.**
- **Help protect your family's home and provide for your family's stability by having your home paid off as well as having car loans and other bills paid.**
- **Help provide your children and grandchildren the opportunity to reach their potential by providing for their education expenses.**
- **Permanent life insurance policies containing cash value can help provide a fund for family emergencies, children and grandchildren's education expenses and supplemental retirement income.**
- **Provide money to help hire child care professionals, maids and provide for other domestic services in the event of the death of a stay-at-home parent.**
- **Permanent life insurance cash value grows tax deferred so that you can maximize the money available later for loved ones.**

- **The life insurance death benefit is available to help provide a fund to complete the planning you do to keep your family safe and secure**
- **If something happened to you, your family will still have to pay the mortgage, pay the bills to keep the lights on, pay for education and save for retirement. The death benefit will help provide your family the money they will need at a time when they are unable to function properly or make the big decisions they may be facing without you.**
- **If you have been lucky enough to accumulate a significant estate or build a business that you want to ensure continues after your death, life insurance can help pay the estate tax liability and fund a buy-sell that allows you to pass your estate and business to loved ones.**
- **Life insurance can also be used to provide a benefit for a charity or religious organization that the family is invested in**

Uses for Couples

Even if you do not have children but have a spouse or significant other, you should want to protect each other and the survivor from loss in the event of either of your deaths.

Do you have a mortgage that requires both of your incomes to pay? Do you have bills that require money from both of your checks? If your salary is gone, what will your spouse or significant other do?

Do you have a charitable organization that you feel passionately about and would like to leave a legacy to?

Life insurance can help provide the protection you need. Protection that can help pay-off the mortgage; protection that may pay the bills and other loans and help complete a retirement plan; protection that will pay final expenses at a time when cash is needed.

If one or both of you have children from a prior marriage or other family members you are responsible for, life insurance can provide those family members an inheritance so that you can leave everything to your spouse.

Permanent life insurance has a cash value component and cash value grows tax deferred in the policy which means it can grow faster than money that is taxed as it grows year after year. The cash value component can be accessed through loans in later years to provide money for emergencies, for health care or for supplemental retirement income.



Uses for Singles

For single individuals, one must look to what your future holds and that of those you love. If it is just you and there is no one else to benefit, you may only need life insurance to cover burial expenses.

However, if you have loved ones such as siblings, nieces, nephews, a treasured pet or a charity you wish to benefit, permanent life insurance may be right for you.

Do you want to leave an education legacy to your nieces and nephews or ensure that a sibling who has had a hard life has something for retirement if something happens to you? Life insurance is a way to help ensure that you leave a legacy to those you love who may be in need.

Life insurance can help ensure that a treasured pet is well taken care of if something happens to you. There are places such as veterinary schools that will take your pet if something happens to you and for a fee provide the pet a home and care. Life insurance can make this happen.

Even if you have no family to provide an income for, life insurance can cover final medical expenses and funeral costs. With a permanent life insurance policy, you would have access through loans for these expenses during your life or even for supplemental retirement income.

Uses for Children

Many parents want to provide advantages to their children that they never had. One way to do so is to purchase a permanent life insurance policy on each child in a modest amount when they are very young. The cost of the insurance can be affordable and the cash value can accumulate as they grow up and provide the child permanent protection with the benefit of cash value build-up that can later be accessed through loans for other purposes such as the purchase of a starter home or simply remain as a level of protection as that child starts their own family.

How Much Life Insurance Coverage Is Enough?

Many experts will venture that you will require five to ten times or even 20 times your salary in life insurance. If a multiple of twenty is used at a 5% return, it will replace your current salary. A better way to determine your individual needs would be to determine all of the current and future liabilities you need to provide for along with enough money to provide sufficient cash flow for those you leave behind. The tally would include:

- **Mortgages**
- **Car and other loans**
- **Credit card balances**
- **Future education expenses for all children or grandchildren**
- **Any other full or contingent liabilities you may have**
- **Capital to provide ongoing income or future retirement income**
- **Any other expenditures or legacy's you wish to leave**

Example

Joe, the primary breadwinner, and his wife Jean have three children age 5, 6, and 7 and Joe's insurance agent is visiting. They are trying to determine Joe's true insurance needs. Their list includes:

Mortgage	\$ 100,000
Second Mortgage	\$ 30,000
Car loans	\$ 28,000
Other Unsecured Loans	\$ 10,000
Credit Cards	\$ 15,000
College Education	\$ 144,000
Weddings	\$ 50,000
Required Income Stream Of \$3,000 per month(@5%)	\$ 720,000
Total Needs	\$ 1,097,000
Total Investment Assets Available	\$ 250,000
Net Required Capital	\$ 847,000



This is a simple analysis and does not take into account the ravages of inflation which may suggest that Joe and Jean round up to a \$1,000,000 in total life insurance on Joe's life. They would then try to estimate the cost of replacing what Jean does in the home. Although you cannot replace the love Jean provides her children, you can estimate the cost of child care, maids and any other domestic services Jean provides the family.

As a result, in this case the advisor is recommending \$1,000,000 of insurance on Joe and \$200,000 on Jean to meet the family's current needs.

Types of Life Insurance Available

Term Life Insurance

Term life insurance provides temporary protection for a specific period of time and pays a benefit only if you die within that period of time which may be one year, ten years, twenty years or even longer. Term life insurance issued or purchased while you are young can provide the maximum death benefit for the cost. Once someone is 45 years old or older, the cost may become too expensive to continue.

Whole Life Insurance

This is the oldest and most conservative type of permanent life insurance. Typically, premiums remain the same over the life of the policy as does the death benefit. The cash value in the policy continues to grow at a promised fixed cash value schedule. Whole life insurance may be the most expensive permanent life insurance but it provides the most certainty.

Universal Life Insurance

Universal life insurance (UL) provides you the most flexibility in premium payments and death benefit planning and was first introduced in the early 1980s and has progressed since then. Universal Life insurance features a savings element that grows tax deferred. Often, there are guaranteed minimums, but the policy holder has the ability to share in upside potential depending on how they structure the policy. UL has progressed to include Indexed UL which allows you to place a percentage of the money in a fixed account and a portion in an indexed account. An indexed product credits interest based upon the performance of an Index; you earn interest based on the upside with limits as to how much you earn, and if the index goes down, your money in the index account does not decline but stays the same.

Variable Life Insurance

Variable life insurance (VL) allows you a choice of underlying portfolios of mutual funds, flexible premiums and an adjustable death benefit. You can invest in a variety of mutual funds such as stocks or bonds. The cash value will grow based upon how these underlying mutual funds perform. If the value of the underlying mutual funds goes down, so does the cash value. If the value of the underlying mutual funds goes up, the cash value increases. The cash value is not guaranteed.

Advantages and Disadvantages of Term Life Insurance

Advantages

- **Initially, premiums for younger individuals are lower than those for permanent life insurance.**
- **Lower cost means you can afford more coverage at a younger age when more coverage may be needed.**
- **A great way to cover specific needs that may be temporary in nature.**

Disadvantages

- **Provides coverage for a specific period of time, not for the life of the individual.**
- **Premiums increase as you get older and may become prohibitive at older ages.**
- **Coverage may terminate at the end of the period chosen and may become too expensive to continue.**
- **Premiums must be paid each year to continue the policy.**
- **Typically, the term life insurance policy does not offer cash value.**
- **Once the coverage ends, you typically receive nothing back from the insurance company.**

Advantages and Disadvantages of Permanent Life Insurance

Advantages

- **Guaranteed protection as long as the premiums continue to be paid.**
- **Permanent life insurance can accumulate cash value over time.**
- **If the policy performs as expected, your premiums will have a benefit in the form of cash value and the entire premium will not be lost as compared to term life insurance.**
- **Cash value can be accessed and borrowed, the policy can be surrendered or the policy can be converted to an annuity to provide living benefits.**
- **Cash value can be used to supplement retirement income, pay for grandchildren's education and be available in the event of an emergency.**

Disadvantages

- **Premiums must be paid regularly to keep the policy in force.**
- **If you borrow too much from the policy, the policy could run out of cash value and be cancelled which could lead to a taxable event.**
- **Permanent insurance is only a good option if you plan to keep the policy for a long period of time.**
- **Surrendering a permanent life insurance policy in the early years can be a costly event.**

What Combination of Life Insurance Coverage Meets Your Needs?

Depending on what stage of life you are in and your specific needs, you may want to make a portion of your life insurance term life insurance and a portion permanent life insurance. Just like shopping for a new car, you gather information on the products available to you in the marketplace, look at your budget as to how much you can spend and match this with your needs, goals and desire to protect your family and other loved ones.

For many younger individuals who have a number of years to provide for their family as well as providing for education needs, mortgage and other bills that need to be paid off and future retirement needs, those individuals may need to combination of term life insurance and permanent life insurance.

Let's Take A Look At Joe And Jean Again

Joe and Jean are both 35 years old currently and Joe has a salary of \$75,000. Joe and Jean look at their cash flow and determine that they can spend \$5000 per year on life insurance to help protect their family. Joe and Jean want to build up cash value in a permanent life insurance policy so that years down the road they will have money they can borrow to make sure their mortgage is paid off at retirement and provide them a cushion for retirement. In the meantime, they want these future liabilities taken care of if something happens to either of them. They believe if they purchase a term life insurance policy, they will need the protection for twenty years until their youngest child graduates from college.

Both of them are in good health currently and they sign applications to apply for life insurance to see what kind of offer they receive from the insurance company. Joe and Jean both come back with a preferred rating and they decide on the following:

Joe

- **\$300,000 of Permanent Life Insurance**
Annual cost: \$3,060
- **\$700,000 of 20 Year Term Life Insurance**
Annual Cost: \$635

Total Annual Cost for Joe: \$3,695

Jean

- **\$100,000 of Permanent Life Insurance**
Annual Cost: \$1,128
- **\$100,000 of 20 Year Term Life Insurance**
Annual Cost: \$155

Total Annual Cost for Jean: \$1,283



Total Annual Cost for Peace of Mind for Both: \$4,978

** Assumes both are rated preferred and the permanent life insurance quoted is Indexed Universal Life Insurance; Pricing will change over time and this is simply for illustration purposes only and should not be relied upon as being typical of any individual.*

Joe had hoped he could afford \$500,000 of permanent life insurance and \$500,000 of term life insurance but the cost for Joe would then have been \$5,575 and with Jean's insurance would have cost \$6,858 which would have exceeded Joe and Jean's budget for life insurance. Hence, we substituted more term life insurance to bring the price down and if Joe is insurable in the future or takes a term life insurance policy with the ability to convert to permanent life insurance at a later date without proof of insurability, Joe can add more permanent life insurance later.

Each individual's situation and circumstances will be different and based upon their budget and needs, the amount of term life insurance and amount of permanent life insurance will change. Whatever combination works best for you and your situation should be what you choose. If you are older and need to rely only on permanent life insurance, you may need to settle for less life insurance than what is needed. Having sufficient life insurance to meet you and your family's needs will give you the comfort of knowing you have provided for your family and perhaps at some time in the future for yourself.

The satisfaction that comes from providing for those who provide you your purpose in life will enrich your life while helping provide your family the financial comfort they deserve. Don't continue to wait. Make this happen now before it is too late. Contact your financial services professional today and make an appointment for your family's future well-being.

Neither American National nor its representatives give tax or legal advice. You should consult with your tax and legal advisors regarding your specific circumstances.

An Indexed Universal Life Insurance policy is not a registered security or stock market investment and does not directly participate in any stock or equity investments or index. When a person buys an indexed policy, the person is not buying an ownership interest in any stock or index.

A variable life insurance product involves investment risk, including the possibility of negative rates of return. Investment return and principal value will fluctuate, and units when redeemed, may be worth more or less than their original cost.

The prospectus for a variable product contains more complete information including all insurance fees and charges. The Prospectuses for each investment option offered with a variable product also includes more complete information on the investment companies. All investors are advised to consider the investment objectives, risks, and charges and expenses of the investment companies carefully before investing. The prospectus contains this and other information about the investment companies. You should read the prospectuses carefully before investing. To obtain a free prospectus for a variable product, call or ask your registered representative for one.



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