



## Purpose Driven Life Insurance



# The Purpose of Life Insurance

The single greatest purpose for life insurance is to help protect your family if anything happened to you or your spouse. Many individuals purchase insurance because risk and loss are an everyday part of life. What kind of future will you or your surviving spouse, children, and grandchildren have if they experience the sudden loss of you or your spouse?

## Ways Families Can Use Life Insurance

- Replacing your income to assist your family in maintaining their current standard of living
- Protecting your family's home and assets by having sufficient life insurance to pay off the family's home
- Providing your children and grandchildren their education
- Allowing the potential to provide funds through cash value within a permanent life insurance policy that can be used for family emergencies, education expenses, or supplemental retirement income
- Providing money to help hire child care professionals, maids, and provide for other domestic services
- Growing cash value that is tax-deferred so that you can maximize the money available later for loved ones
- Ensuring an estate or business 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
- Providing a benefit for a charity or religious organization that is important to the family
- Young children provided permanent protection

# How Much Coverage Is Enough?

Many experts will venture that you will require five, 10, or even 20 times your salary in life insurance. If a multiple of 20 is used at a 5% return, it will replace your current salary.

Another 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 liabilities you may have
- Capital to provide ongoing income or future retirement income
- Any other expenditures or legacies you wish to leave

## An Example of Total Coverage Needed

NEED	COST
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
<b>TOTAL NEEDS</b>	<b>\$1,097,000</b>
<b>Total Investment Assets Available</b>	<b>-\$250,000</b>
<b>NET REQUIRED CAPITAL</b>	<b>\$847,000</b>

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

This is a simple analysis and does not take into account inflation which may suggest that Joe and Jean may need up to \$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, the advisor is recommending \$1,000,000 of insurance on Joe and \$275,000 on Jean to meet the family's current needs.<sup>1</sup>

# Types of Life Insurance Offered



## Whole Life Insurance

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



## Universal Life Insurance

Provides flexibility in premium payments and death benefit. Universal life (UL) insurance features a cash accumulation feature that grows tax-deferred. Often, there are guaranteed minimums, but the policyholder can share in upside potential depending on how the policy is structured. Indexed UL policies are also available which allow you to place a percentage of the premium in a fixed account and a portion in indexed accounts. An indexed product credits interest based upon the performance of an Index; however, you are never invested directly in the market and your policy will never be credited a negative interest rate. This allows you to take advantage of the potential increases in the index while maintaining a level of protection if the index drops below 0%.<sup>2</sup>

1) Examples are fictitious and used for illustrative purposes only. 2) You will never be credited a negative interest rate related to a change in index, however due to monthly deductions to your policy, your accumulation value may decrease.

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 you buy this policy, you are not buying an ownership interest in any stock or index. American National and its agents do not make any recommendations regarding the selection of indexed strategies. American National and its agents do not guarantee the performance of any indexed strategies. There is not one particular interest crediting strategy that will deliver the most interest under all economic conditions.

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