



Brought to you by D. Todd Minard, PGK, FICF

KNIGHTS OF COLUMBUS

Financial Beacon

Spring 2010

LIFE INSURANCE: Because you love them

TERM vs. PERMANENT
What's the difference?

5 FACTORS
that should
go into any
life insurance
decision





A MESSAGE from your agent

Dear Brother Knight:

When talking with people about life insurance is a big part of your day (as it is mine), you discover that many people have never had an occasion to learn the most basic features and concepts regarding these products.

I understand that. Raising our families keeps us busy. And thinking about life's "what ifs" can be difficult.

But taking a little time to learn the basics is so important to making good decisions—decisions that could make a life-changing difference in protecting your family from financial hardship. I regularly see the consequences of these types of decisions—both the good decisions and the bad decisions. It's my job to help you understand what you *really* need to know.

That's what this issue of *Financial Beacon* is: a brief introduction to a few basic life insurance terms and concepts—so when life's "what ifs" catch up with you, you're prepared, and your family is protected.

The next step is learning how to tailor a life insurance plan to your specific needs and budget. I'm here to help you sort through the details, compare products and costs accurately, and set a safe course for the future.

Fraternally yours,

D. Todd Minard

LIFE INSURANCE. Because you love them.

Term vs. permanent: What's the difference?

Despite the vast variations and terminology involved in life insurance, keep in mind that most life insurance policies are one of two basic types: term or permanent.

First, some brief descriptions:

TERM: A policy that pays a set sum, called the "face value," if the insured person dies within a set time period or "term." The premiums on a "level term" plan can be designed to remain the same throughout the term period. An "annual renewable term" plan is designed for the premium to increase annually until the end of the term period.

PERMANENT: Often called "whole life" because it's intended to stay in effect for your whole life, with the premium remaining the same. Some whole life plans are *limited pay* whole life plans. This means that the policy is guaranteed to be paid up at a certain age or after a certain period of time. Over time, part of your premium goes into the policy's cash value and is guaranteed to grow to match the face value at maturity. "Participating" plans are eligible for dividends. Although dividends are not guaranteed, historically they have added significant value to whole life plans. The cash value of a policy can be loaned.

Which is better, term or permanent?

It depends. Both types increase in cost as you age and as health risks develop. If you have only term life and you outlive the term, you may no longer be insurable, and your rates will have increased. The consequences can be harsh.

For example, at age 30, the head of a family buys a 20-year term policy and nothing more. At age 50, his term policy expires but a medical condition now makes him uninsurable. A person that age could easily still have a mortgage, and children in college—or children getting married or having babies themselves—so the need for coverage is still significant.



CONVERTING TERM TO PERM

Some term policies guarantee the ability to convert them to permanent with no medical review. You can do this gradually as you're able. The sooner the better: The permanent rate will be based on your age at the time you convert—not on your age when you bought the original term policy. If you currently have term insurance, let's talk about whether this is the right time to convert your coverage to permanent insurance.

Think of term vs. permanent as renting vs. owning a home. For the same property, you'll pay considerably less rent than you will in mortgage and maintenance costs. But mortgage payments build equity you can tap into if you need it.

Term can provide protection when you can't afford more. But it's prudent to add permanent—or convert term to permanent (see sidebar) as soon as you can—to lock in your premium rate before age and health issues put it out of reach, and to build cash value faster.

Because you love them

The decision to purchase life insurance should be based on choosing the plan(s) that best suit your family's individual goals and objectives. You love your family—and you want to protect their future, no matter what. I can help you develop a plan to do just that. ♦

5 FACTORS that should go into any life insurance decision

Your five reasons are your five kids, of course. Or your spouse, two kids, and two grandkids. These are your real *reasons* to buy life insurance. But reasons aside for a moment, here are five additional factors to consider.

1 Your personal or family financial circumstances

Choosing the right amount of life insurance isn't a science. But it should be an educated decision based on your family's structure and income, and also on its unique needs, hopes, and dreams. The main purpose of a death benefit is to replace income lost after the death of a wage earner so the family can maintain its standard of living. A life insurance calculator (see sidebar) is a useful start, but can't replace consultation with a professional.

2 Your age

The base cost for a given life insurance policy increases as you age. When we're young, of course, few of us know or can afford all the life insurance we'll eventually need. (This is why permanent life insurance is a high-value gift for young adults!) Acquiring life insurance is rarely a one-time thing—it's something you should re-assess regularly.

3 Your health

Consider your hereditary health risks and any risks inherent in your work or lifestyle. More importantly, consider your tolerance for risk. In seeking a balanced mix of insurance, savings, and investments, you must decide whether delaying a life insurance purchase is worth the risk of an illness or accident that could make you uninsurable.

4 Your goals for retirement

Permanent or "whole life" policies provide coverage for life—as long as you pay the premiums. But you may not want to carry that expense into retirement. Look for policies that can be paid up in set period. (For example, the Order offers permanent life policies that are paid-up in 20 years, or at age 65.)

5 Your financial legacy

Life insurance can be structured to protect your heirs from estate taxes. Creating a trust as a beneficiary can do that. So can "joint-and-survivor" life insurance, or "second-to-die" insurance, which pays a beneficiary only after both spouses have died. If you're making the payout of your policy a gift to a person or an organization, you may earn tax advantages in addition to enhancing your legacy. ♦

When you're making decisions involving your estate, always work with qualified legal counsel.



SETTING A SENSIBLE TARGET

An important first step in making life insurance decisions is calculating the income you'll need to replace should your family lose a breadwinner. The Life Insurance Calculator at www.kofc.org is simple and quick (find the calculator under the "Insurance" tab on the homepage; it's the fourth link).

This gives you a general target amount of life insurance. Every family is different, of course, and there are many policy options to choose from.

As your professional Knights of Columbus agent, I'm here to help you make these important decisions, now and as your life changes.

YOUR AGENT



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Family benefits & services

Knights of Columbus insurance consistently ranks at the top of the industry in financial stability and ethics. Please call to discuss these services:

- Financial needs analysis
- Life insurance
- Tax deferred fixed-rate annuities
- Long-term care insurance
- Retirement planning
- Estate preservation
- Scholarships
- Family fraternal benefits

Contact me today for information on long-term care insurance

K of C insurance program remains strong and stable in 2009 *Our strength is your security*

When you buy life insurance products or long-term care insurance, your policy is only as secure as the company from which you buy.

Despite recent instability and financial uncertainty in the global economy, the Knights of Columbus insurance program simply continued to grow. Here's a glimpse at the strength that backs our agents and the products we offer:

- ▶ In 2009, the Order broke its records for life insurance issued (\$7.57 billion), life insurance in force (\$74 billion), and annuities issued (19,000).
- ▶ During the past five years, more than 103,000 members of the Knights of Columbus joined the

ranks of our insured members by purchasing life insurance, long-term care insurance, or a retirement savings product.

- ▶ Two top rating firms, A.M. Best and Standard & Poor's (S&P), concluded in 2009 that our 127-year-old Catholic fraternal benefit society earned their highest ranking for financial strength and stability—remaining strong despite a slumping economy.
- ▶ This marks the 34th consecutive year in which the Knights of Columbus has earned A.M. Best's A++ (Superior) rating, and the 17th successive year the Order has earned the AAA (Extremely Strong) rating from S&P.



- ▶ The Knights of Columbus is one of only three U.S.-based insurers to earn A.M. Best and S&P top rankings and also be certified by the Insurance Marketplace Standards Association for ethical and honest business practices. ♦