

Transamerica Life Insurance Basics

Life Insurance

Individual life insurance is primarily designed to protect against the financial loss that the death of a loved one or business partner can create. Life insurance provides a death benefit that can provide much needed income to help support your family, your business, or to send your children to college. Additionally, life insurance offers some tax advantages.

Permanent Life or Term Life?

There are two types of individual life insurance: permanent life insurance and term life insurance. Both permanent and term life insurance offer an income tax free death benefit to the beneficiary(ies). However, there are several general differences:

Permanent Life Insurance

- Provides life insurance coverage for the lifetime(s) of the insured(s).
- Pays a company-guaranteed death benefit to your beneficiary(ies), provided sufficient premiums are paid to maintain the policy in force.
- Premiums are generally more expensive than for term life insurance because a portion of the premiums are applied toward your cash value buildup. However, the cost of renewing term insurance can eventually cost you more than the cost of purchasing permanent life insurance.
- The policy owner may access the cash value through loans or withdrawals. Both loans and withdrawals will reduce the cash value and death benefit. Loans are subject to interest charges. Under certain circumstances, there may be tax consequences in taking a loan or withdrawal.

Term Life Insurance

- Designed to provide life insurance coverage for a specific period of time. To continue coverage after the specified term has elapsed, you may need to reapply for a new insurance policy. At that time, the insurance company will again consider your health when determining whether to grant you, the insured, the insurance, unless you have an option to convert to a permanent plan without further evidence of insurability. May not be available after attaining a certain age.
- Pays a company-guaranteed death benefit to your beneficiary(ies) only if you die during the specified term the policy is in force, providing the premiums

are paid.

- Premiums are generally less expensive than for permanent life insurance over a certain time span. However, the cumulative costs of renewing term insurance can exceed the cumulative cost of purchasing permanent life insurance initially.

Whole Life, Universal Life, Variable Universal Life

There are several types of permanent insurance. We'll list the three basic types and review the features of each.

Whole life: also called ordinary life, is traditional life insurance. In general, whole life offers:

- Level premiums and death benefit.

Universal life: sometimes called adjustable life, offers more flexibility than traditional whole life insurance. In general, universal life offers:

- Flexibility in premiums and death benefit.*
- A competitive, company-declared interest rate on the policy's cash value, which, will never be lower than the policy's guaranteed minimum interest rate.
- Current policy charges which will never exceed the guaranteed maximum charges.

Variable universal life: (VUL) combines the flexibility of universal life with the growth potential of the stock, bond and money market sub-accounts. Variable universal life offers:

- Flexibility in premiums and death benefit.*
- The potential for increased growth in policy values based on performance of underlying portfolios. The death benefit and cash value may vary, depending upon the portfolios' performance. The sub-account investment options are subject to market risk and the policyowner may experience a loss of principal or a reduced death benefit.

Which type of life insurance is right for me?

Every person has unique life insurance needs. That's why it is important to speak with a qualified financial advisor who can assess your particular situation including your plans for the future and your current financial status. After evaluating your needs, you and your financial advisor can discuss the various insurance options available. More than one type might be needed to meet your various needs.

How much life insurance coverage do I need?

There are several factors that can influence how much life insurance coverage you need. We

have provided the Life Insurance Needs calculator and College Costs calculator to help you review these needs but you should consult with your financial advisor to discuss your particular situation.

How often should I review my life insurance coverage?

Your life insurance coverage should reflect important changes in your life such as marriage, the birth of a child, a move, or a new job. Aside from these momentous events, a good rule of thumb is to review your coverage annually with your financial advisor.

Contact a Transamerica representative to help you determine which type of life insurance policy is right for you.