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Georgia Skinker

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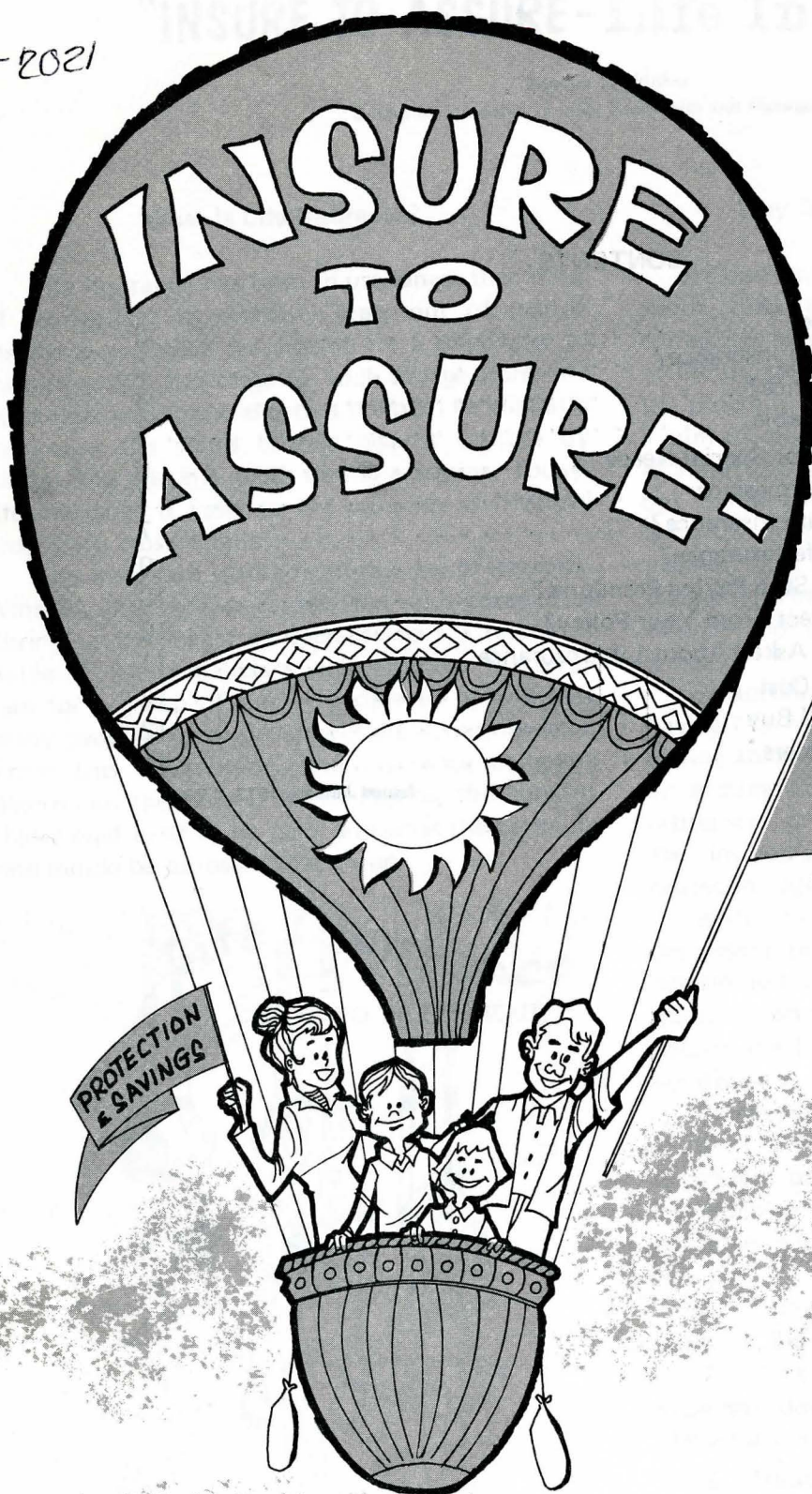
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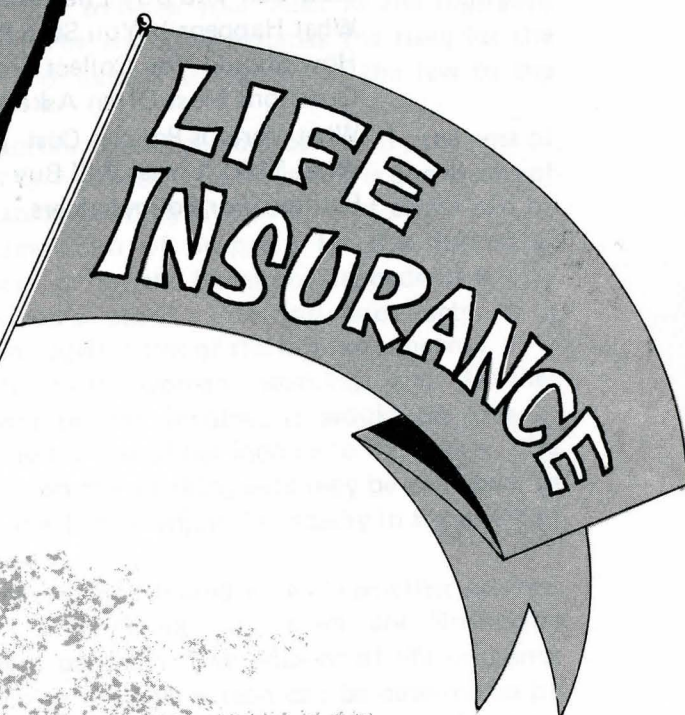
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Issued January 1973, 4,000

"INSURE TO ASSURE-Life Insurance"

Georgia L. Skinker
Extension Specialist (Family Economics and Management)

What Is Life Insurance?

Life insurance has been in use longer than most of us realize. It probably grew out of marine insurance as it was the custom for a shipowner to insure his ship and cargo for each voyage. Someone must have gotten the idea that it would be wise also to insure the ship's captain against capture by pirates and possible death during a voyage. Today, life insurance is basic to the program of financial security in most families.

Life insurance works from the law of averages. Winston Churchill once referred to insurance as "bringing the magic of averages to the rescue of millions". Mathematicians calculate the mortality rate for a group of similar people to predict how many people in that group will die at various ages. From this information, the insurance company determines the probability of deaths, the benefits that would need to be paid, and what the premium rate should be to insure that group.



¹ "Insured" will be hereafter referred to as the person on whose life the insurance is written. It is possible for someone other than the person on whose life the policy is written to own the policy. The person owning the policy is referred to as the "policyholder."

Why Do You Need Life Insurance?

At least one family member has life insurance in about 80% of the nation's homes. Insurance companies help take the financial sting out of a loss of life by collecting money from the subscribers to the program, investing the amount, and distributing a sum of money back to the subscriber or to his estate at the time of his death. Life insurance evens out the financial losses to the family that result from the premature death of the subscriber. As the insured, you transfer your risks to the insurance company. The company assumes the risks for the insured and spreads the losses of the few to the group.^{1/}

Financially, most persons can justify the cost of having life insurance. Life insurance is one means of adding to or building an estate. That estate can be an accumulation of property for the insured at retirement, or for the benefit of dependents left by the insured's death. Life insurance acts as a protection against loss of the insured's income.

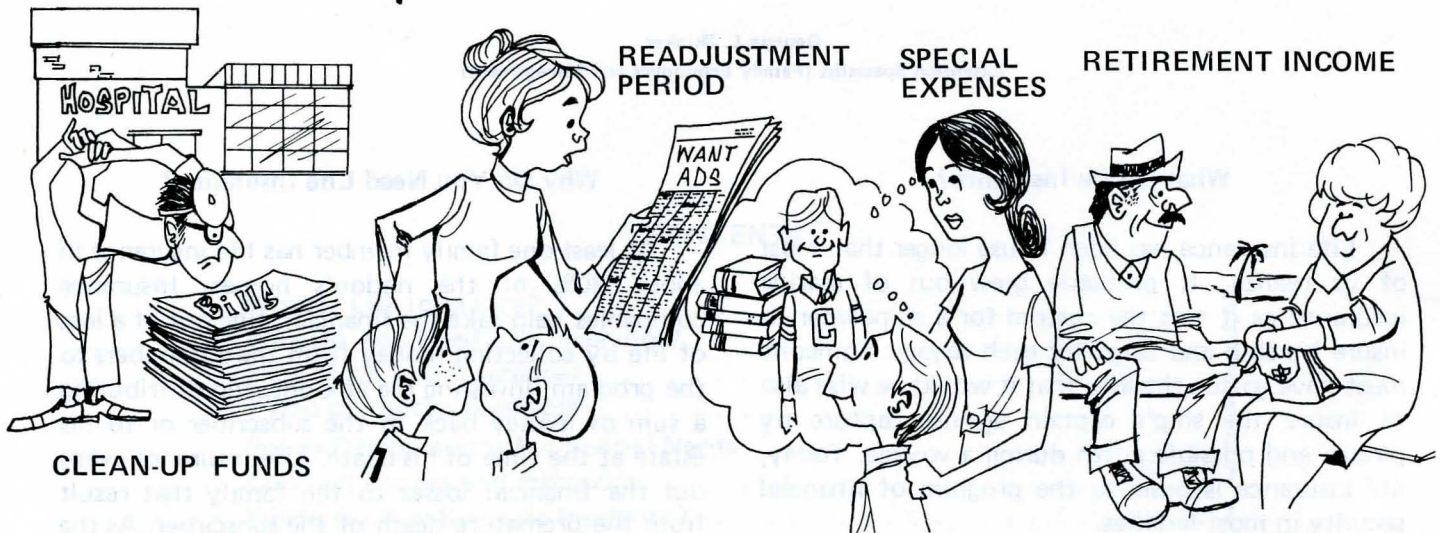
With more women working and families depending on her income, it would be wise to determine the loss of her income to the family. Life insurance on the working wife may be an answer in helping the family adjust financially in the event of her death.

Single persons should evaluate whether parents, brothers and sisters, or others are financially dependent on them. The amount of life insurance needed by the single person can be determined by considering the same types of problems faced by families.

Life insurance can play many roles. For example, life insurance could provide:

1. Clean-up funds for financial expenses—doctor bills, hospital bills, funeral, unpaid debts.
2. Readjustment period expense—living expenses until another family member can assume financial leadership, perhaps a one- to two-year period.
3. Living expenses during the dependency period—monthly income to the widow for care of the children until the youngest child reaches age 18 or ceases to be a financial dependent.

Life Insurance can provide for...



CLEAN-UP FUNDS

4. Life income for the widow—special provisions should be made for meeting living expenses in the period between the youngest child's 18th birthday and the wife's 60th birthday because no Social Security payments are made during that time.

5. Special expenses to meet family goals—mortgage fund to pay off the balance of a home mortgage, an educational fund for schooling of children in the future, fund to pay off farm debt.

6. Retirement income for husband and wife or the single career person.

7. Capital with which to buy a deceased partner's share of a business.

8. A means of equating bequests of other property to other heirs.

How Much Life Insurance?

There is no one formula that fits all families to determine the amount of life insurance needed. The amount of life insurance you carry must depend on your individual situation and objectives.

An old rule of thumb can be cited: carry at least five times your annual income in life insurance. This may or may not be adequate for the young family with growing children. Consider the chances of a woman's remarrying or her qualifications for getting a job. A rule of thumb doesn't work in all situations.

Determining how much life insurance is needed ties back to the examples listed under "Why Do You Need Life Insurance?" A reliable life insurance agent can help you plan a program considering your own needs. Families should review the benefits to which they are entitled under Social Security and

business retirement plans. Life insurance should be considered as only one part of financial security.

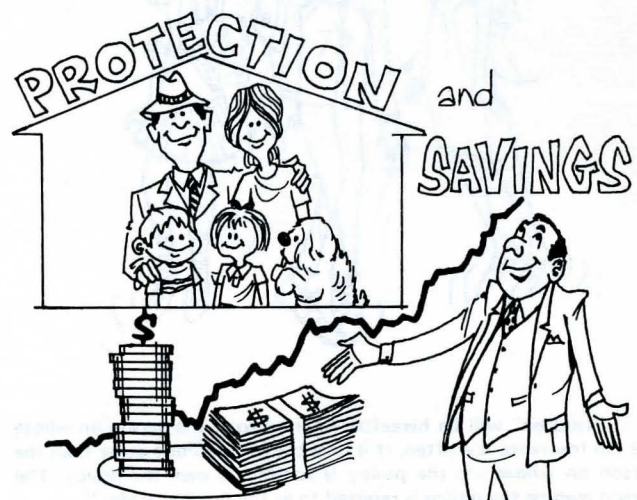
If an individual or family has the willpower to carry out a systematic savings program, life insurance may be a poor place or way to save. But if a little coercion is needed, life insurance may be a desirable method of saving.

Types of Policies Available

There are four major types of life insurance policies.

Key words in considering the types of policies available are *protection* and *savings*. Each type of policy varies as to the amount of savings built up beyond the basic protection feature of the policy. The first policy to be discussed only provides protection whereas the remaining three types provide permanent protection as well as savings, as long as premiums are paid.

TYPES OF POLICIES CAN GIVE YOU....



Term Insurance

Term insurance provides protection with no savings feature. It is good for only a stated period of time. This means that the policyholder must renew the policy when the term is up. Features of term insurance:

1. Financial protection in case of death with no savings built up.
2. Least expensive type of insurance.
3. No cash value upon which to borrow.
4. Premiums increase with age, dependent on kind of term policy.
5. Most term policies can be renewed and converted to other types of policies without a medical examination.
6. Some companies do not renew term insurance after the policyholder is 65 or 70 years of age.

Term insurance can be used to good advantage by the young family with limited income that needs as much protection as possible for the least cost. Term insurance might be purchased in the amount of a home mortgage or an installment loan transaction to cover payments in the event of the breadwinner's death. A son might purchase a term policy on his father's life in order to buy the farm at the time of the father's death. Air travel insurance from vending machines is term insurance for the duration of the flight.

Whole Life Insurance

Whole life insurance is often referred to as ordinary or straight life. It provides permanent protection as well as savings by charging level premiums throughout the policyholder's lifetime. This means that for the risks involved, you are overcharged at a younger age and undercharged at an older age. Features of whole life insurance include:

1. Savings accumulate in addition to providing protection.
2. Least expensive type of permanent insurance that builds up savings in addition to protection.
3. Cash surrender or loan value grows at a moderate rate because of the combination of protection and savings.
4. Amount of the annual premium depends primarily on the age of the insured person at the time he takes out the policy.

The person who wants a lifetime program of protection and savings through insurance might consider whole life insurance. Families can compare the cost of combining protection and savings in whole life insurance with term insurance and another form of savings program.

Limited Payment Life Insurance

Limited payment life is similar to whole life except the premium paying is limited to a set number of years, usually 20 or 30, or to age 65. Protection is provided throughout the lifetime. The savings element increases at a faster rate than that of the whole life policy due to larger premium payments in a shorter period of time. Following are features of limited payment:

1. Savings or cash surrender value increases at a faster rate than whole life due to more money being paid in as premiums to draw interest.
2. Premiums higher than whole life.
3. Premium payments made during earning years rather than retirement years.

The limited payment policy is best suited to an individual involved in a profession with a definite period of time for best earnings, such as an athlete, actor, or salesman. A businessman not wanting to pay insurance premiums at the time of retirement might be interested in a limited payment policy.

Endowment Insurance

Endowment insurance emphasizes savings, with the protection element also present. It enables a person to accumulate a sum of money which is paid to him at a date named in the policy or it will pay the face amount of the policy if the insured dies before the specified date for him to collect the lump sum. Features of the endowment type policy include:

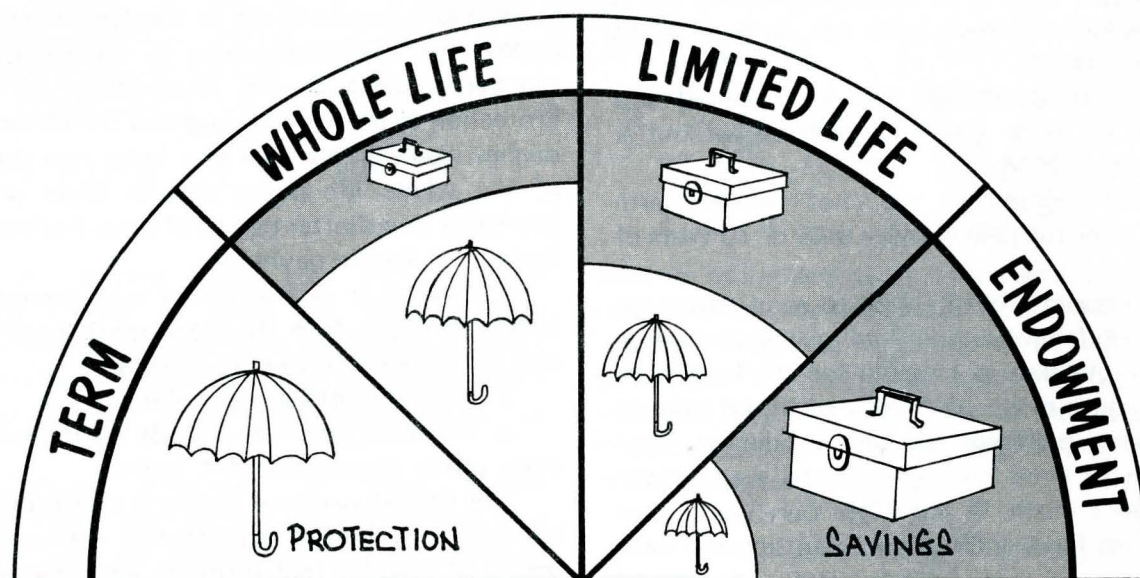
1. A means for accumulating a sum of money for a specific purpose or to provide a lifetime income at the end of the endowment period.
2. High premiums because of shorter period of time in which the policy is paid, usually 10 to 30 years.

Before purchasing an endowment insurance policy, compare other kinds of investments to decide which provides the best return. Second, determine if you have plenty of other insurance or

financial security. Endowment insurance might be used by the middle-aged family starting to save for retirement who want a nest egg or lifetime income at the end of the endowment period. A family man with plenty of insurance on himself could consider an endowment policy as a savings program for a child who will attend college in 20 years.

It would be well to consider the tax consequences as a result of this purchase because

some companies stipulate that you must take the policy when it matures. Other companies allow the policyholder an extension of 10 years before taking the sum of money in the endowment policy. An option settlement is now available that allows the endowment proceeds to be paid out over a period of years and taxed as interest on the earnings as you receive the profit.



Policy Combinations For Special Needs

There are several combinations of the basic types of life insurance. Companies may vary as to the name they assign special policies but the following policy provisions are common to most companies.

Family Policy

A family policy provides coverage on all members of the family. Typically, the family policy will combine \$5,000 of whole life on the father with \$1,000 of term on the mother and children.

Many companies provide that the term portions can be converted to permanent life insurance for the children at an older age, regardless of their health.

A problem with some policies is that the wife's term coverage may expire when the husband reaches age 65.

Large families can best realize the financial advantage from a family policy because the premium rate is usually set for a family of three to four persons.

Family Income Policy

The family income policy combines whole life insurance and a term insurance rider that is usually for a definite number of years. It is designed to pay the beneficiary a regular monthly income from the time of the insured's death until the term insurance runs out, at which time the whole life part of the policy is paid to the beneficiary.

If the insured lived longer than 20 years with a 20-year family income policy in effect, the term portion would pay no monthly income and the beneficiary would collect only the whole life portion later at the time of the insured's death.

Contract Clauses and Provisions

Being aware of the variety of contract clauses and provisions available will help you select the ones most suitable for your situation. Additional premiums are needed to include most of these within your contract.

Accidental Death Benefit

An accidental death benefit or double indemnity promises to apply an additional sum equal to the face value of the policy if accidental death occurs to the insured. An additional premium is charged for this clause.

Disability Income Rider

The disability income rider is a provision that pays the insured roughly \$100 per month for each \$10,000 of insurance after the first six months of a disability. An additional premium is charged for this provision.

Grace Period

The grace period allows 28 to 31 days to elapse after the premium is due. During this period the premium can be paid without penalty. No additional premium is charged for this provision.

Guaranteed Insurability Option

Guaranteed insurability or the additional purchase benefit is an option on permanent policies allowing the policyholder to purchase additional insurance even if he has become uninsurable. A fee is added onto the basic premium so that additional insurance can be purchased every three years, usually starting at age 25 and ending at age 40.

Incontestable Clause

The incontestable clause states that after the policy has been in force for one or two years it can't be contested by the company. This fixes the time limit on the company to check and verify all information within the time period. Some companies make suicide a contestable issue for longer periods of time. No additional premium is charged for this clause.

Policy Loan Provision

A policy loan provision allows the policyholder to borrow on permanent life insurance any amount

up to the cash value of the policy. An interest rate of 5-6% is usually charged on the loan. No additional premium is charged for this provision.

Waiver of Premium Benefit

An additional premium adds the waiver of premium benefit. After being disabled for a total period of six months or less, all premiums are paid by the company from the time of the disability.

Where Do You Buy Life Insurance?

Families can shop around for a life insurance company just as they would for other consumer goods. Most companies will sell the four basic types of life insurance. Keep in mind that life insurance should be purchased from an established and reliable company because you pay in the present and expect protection long into the future.

Stock Company

Stock insurance companies are profit-making corporations owned by stockholders who are not necessarily policyholders. The stockholders are expected to bear losses as well as gains in the business. Policies are usually sold as "nonparticipating" insurance, meaning they do not earn policy dividends for policyholders.



Mutual Company

Mutual companies are owned by the life insurance policyholders. Mutual companies sell "participating" policies which means that dividends may be paid to the policyholder.

These dividends are a result of the company charging too high a premium rate for that particular year, investment earnings of the company being higher than expected, and company expenses being less than planned.

Dividends may be taken as cash, applied to the following year's premium, used to purchase paid-up additions to the policy, or left to accumulate interest to add to the cash value of the policy.



Professional, Fraternal and Religious Companies

These companies are nonprofit organizations or societies that exist solely for the benefit of their members. Some professional and fraternal insurance is sold on an assessment plan so that it is possible for members to be subject to additional premiums even though the premium rate was predetermined.

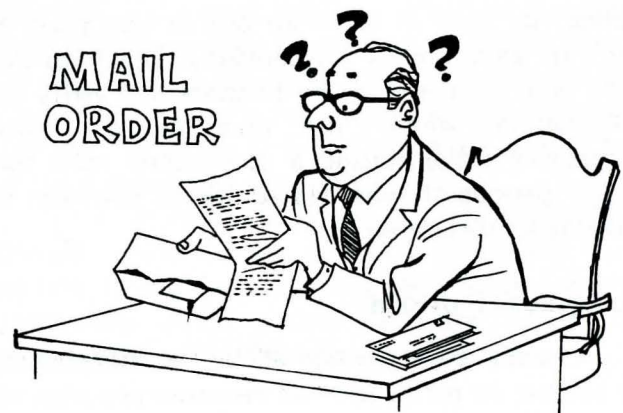
Most stock and mutual companies are nonassessable, meaning that you cannot be assessed more than the stipulated premium. Individual policy analysis is necessary to determine if the policy is assessable or nonassessable.



Mail Order Companies

Mail order life insurance companies usually operate in a different state from which you live. All business is done through the mail without the services of a local agent. Costs may seem low but the counseling advice from the agent is missing.

It is wise to write for a specimen contract of the policy and examine it carefully before purchase. Check with the State Insurance Director's office to see if the company is licensed in your state. Ask your local insurance agent for a comparison of costs and benefits between life insurance sold through an agent and through the mail.



How Can You Buy Life Insurance?

Life insurance may be purchased in three ways—as an individual life insurance purchase from a company agent, through a group plan where you are a member of that group, or as industrial insurance from a door to door salesman.

Individual Life Insurance

Life insurance sold as an individual purchase from a company agent offers term, whole life, limited payment, and endowment type policies. The minimum amount of insurance that can be purchased is \$1,000 face value. Medical examinations are usually required before coverage is issued. Life insurance sold as an individual purchase is the principal way that American families buy life insurance protection.

Group Life Insurance

Group life insurance is rapidly growing in popularity. The most common group is one of workers in a business.

Generally, term insurance is offered through the group from an insurance company and requires no medical examination. The employer deducts the premium from the employee's paycheck. In some

cases, employers may contribute part of the premium for the employee.

Premium costs are lower in a group plan due to fewer operating expenses. As the employee leaves his job or retires, his protection ends. It is sometimes possible to convert the term group policy to a permanent form of insurance, if done within 30 days.

Industrial Life Insurance

Industrial life insurance has been designed to meet the need of the low income consumer who cannot afford other types of insurance.

The average industrial insurance policy has a \$500 face value and is paid for by small weekly or monthly collections picked up at the policyholder's home. The expense of this method of collecting makes the cost high for the actual coverage involved. A medical examination is seldom required.

Industrial life insurance accounts for a very small percentage of total life insurance sold. The decline has been due to the financial gains of American families who need and can now buy more life insurance protection than that offered by industrial policies as well as the increase in availability of group life insurance.

BASIC DECISIONS in BUYING LIFE INSURANCE.....

Who?



What Type(s) of Insurance?

TERM

WHOLE
LIFE

LIMITED
PAY

ENDOWMENT

INDIVIDUAL

How?

GROUP

Where?

STOCK CO.

MUTUAL CO.

PROF. & FRAT.

MAIL ORDER

What Happens If You Stop Paying Premiums?

If you stop paying premiums you actually give up the policy because you break the terms of the contract between you and the insurance company.

You will have several choices for settlement if you have whole life, limited payment life, or endowment types of insurance. These three types of insurance have built up cash values because of the savings feature plus protection.

With term insurance, all protection will stop and there will be no settlement because there is no savings element with that type of policy.

The choice you have is taking the savings value of the policy in a cash lump sum payment, using the savings as extended term insurance, buying a reduced paid-up life insurance, or using the savings as an automatic premium loan. In the insurance business, these choices to withdrawing policyholders are called the nonforfeiture value.

Cash Lump Sum Payment

The cash lump sum payment is the most common type of nonforfeiture value. Insurance agents will caution you to weigh carefully the decision of taking the lump sum. Try to remember your reasons for first buying life insurance and determine if they are still valid.

A suggested alternative is to study the policy loan provision on your permanent life insurance to find out how much you are allowed to borrow without giving up the policy.

You may borrow up to the cash value on the permanent policy but you are expected to pay back the amount with interest. The interest rate on new policies is between 5 and 6%.

You may question why you must pay interest. You are not borrowing your own money. Legally, the cash belongs to the company. You have a contractual right to borrow or cancel the policy and get the cash. You are not compelled to pay back a loan on your insurance policy. Your beneficiary will collect only the face amount of the policy minus the amount of the debt if the loan is not repaid.

Sometimes it is wise to use other sources for borrowing because you are under no obligation to pay back the insurance company. You also need to consider the fact that the interest rate for borrowing on your life insurance policy will probably be the lowest available.

Extended Term Insurance

Extended term insurance is recommended if you stop paying premiums on your permanent policy and want to continue to have the maximum amount of insurance protection as long as possible. Your insurance protection will continue at the face value of the policy until the cash value in the policy has been used in paying for the term insurance premiums.

Reduced Paid-Up Insurance

A reduced paid-up insurance provision allows you to change your policy to a lower amount of insurance without further premium payments. The protection continues for life even though the insurance policy is reduced in the amount it will pay your beneficiaries.

Automatic Premium Loan

Some companies now feature a premium loan provision that will automatically pay any premium not paid. Policy protection ends when the total loan from the policy equals the cash value within the policy.

Each policy states which of the four provisions, (the cash lump sum payment, extended term insurance, reduced paid-up insurance, or automatic premium loan) will be used if premiums are not paid. Most companies write the extended term provision into the policy unless another provision is requested. Many companies will allow the policyholder to change the provision before the premium is due.

How Should You Collect From Your Policy?

Settlement options are the various ways that the policy money will be paid to the beneficiaries at the time of the policyholder's death. Settlement options should be coordinated when several policies are in effect.

A common form of payment is the lump sum payment of cash.

Second, the face value of the policy may be left with the insurance company to collect interest. Interest is paid to the beneficiary until the beneficiary requests the full face amount of the policy.

A third form of settlement is to make arrangements to have a fixed amount paid out to

the beneficiary at regular intervals. These payments would continue until the policy money is used.

A fourth settlement is to provide a lifetime income to the beneficiary by leaving the policy money at interest with the company and

guaranteeing a monthly income for the beneficiary's life. Any balance remaining at the death of this beneficiary would become a part of his estate.

Questions Most Often Asked About Life Insurance



Do people really need life insurance if they are protected by Social Security, employee group life insurance and pensions?

Probably so. Social Security was never intended to provide full benefits but was to be a base upon which to build financial security. Group life insurance will usually cease if you leave your job. Generally, the amount of coverage is reduced when you retire. Pension plans vary as to the financial security they provide for retirement. Age and number of dependents will affect these financial decisions. Each individual must carefully weigh the advantages and disadvantages of other financial security to determine how much personal life insurance is needed.

When should a person first buy life insurance?

When a person becomes employed, he should consider life insurance for long-term protection and savings. This is normally an important benefit in establishing a family protection plan at a later date.

Should the wife have life insurance and, if so, how much?

At the very minimum the wife should have enough coverage to pay for burial expenses. With women working and families depending on this income, consider insurance to cover the added costs to the remaining breadwinner for at least two to three years after the wife's death. Consider the ages of children and availability of household help in determining what costs will occur.

What comparisons can be made about costs of policies?

The differences in types of policies have been shown in Table 1 and Table 2. It is difficult to compare between companies unless you compare a similar type of policy over a period of years. You will find it to your advantage to secure breakdowns on identical policies from several agents so that you can determine which policy is the best buy. Consider also the reputation of the company within your area.

Approximate annual premiums for \$10,000 of insurance^{1/}

Table 1. What various policies cost—

| Type of policy | Age at which policy is issued | | | | | |
|---|-------------------------------|----------|----------|----------|----------|----------|
| | 20 | 21 | 22 | 23 | 24 | 25 |
| Five-Year Term . . . (Renewable and convertible) | \$ 52.80 | \$ 52.90 | \$ 53.00 | \$ 53.10 | \$ 53.20 | \$ 53.50 |
| Whole Life | 115.00 | 118.70 | 122.20 | 125.70 | 129.50 | 133.50 |
| Life-Paid-Up-at-65 . . | 126.60 | 130.50 | 134.60 | 139.00 | 143.70 | 148.60 |
| 20-Payment Life . . . | 198.40 | 202.60 | 206.90 | 211.30 | 215.90 | 220.70 |
| 20-Year Endowment | 425.50 | 425.70 | 426.00 | 426.20 | 426.60 | 426.90 |

¹ Rates shown are approximate premium rates for \$10,000 of life insurance protection for men. Rates of "participating" policies would be higher, but the cost would be lowered by annual dividends. "Nonparticipating" policy premium rates would be somewhat lower than those shown and no dividends would be paid. (Refer to discussion of participating and nonparticipating policies on page 7.) Measured in cost per \$1,000 of insurance, policies under \$10,000 would be a little higher in premium rates and lower for \$25,000 and over. Policies for women are at lower rates in recognition of their lower mortality rates. (Adapted from the Institute of Life Insurance 1972 rates.)

Table 2. What \$100 a year will buy (approximate amounts).

| (Male, age 22) | | |
|--|--|--|
| | Amount of Insurance \$100 a year will buy* ^{1/} | Cash value at age 65 per \$100 annual premiums |
| 1. Term (5-year renewable & convertible) | \$19,000 | None |
| 2. Whole Life | 8,000 | \$4,660 |
| 3. Life-Paid-Up-at-65 | 7,200 | 4,986 |
| 4. Endowment at 65 | 5,700 | 5,700 |
| 5. 20-Payment Life | 4,400 | 3,036 |
| 6. 20-Year Endowment | 2,100 | Matured (age 42) |

¹ Most companies have minimum policy limits of \$1,000, \$3,000, or \$5,000. (Adapted from the Institute of Life Insurance 1972 rates.)

Is term insurance cheaper in the long run?

Term is less expensive than permanent insurance only if you die within the term of the policy. Insurance companies are well aware of your chances of dying within the term and therefore have charged you adequately for the risk involved.

You can continue paying into term with premiums going up every five years and still have no cash value within the policy. You probably won't be able to renew the policy after age 65 or 70.

In contrast, a permanent whole life policy bought at the same age would have the same premium rate throughout the years, would cost roughly the same in total premiums as term if

carried over the lifetime of the insured, and would have built up a cash value.

If you are going to compare term with whole life insurance, you need to consider the earnings you could make from other investments with the premium savings from term insurance during the early years.

How important are the special clauses and provisions?

The accidental death benefit appeals to many consumers because they feel that the doubling of the policy value in case of accidental death is too good to pass up. Actually, the leading causes of death are heart disease and cancer; accidental deaths are small by comparison. The policyholder must evaluate his own situation and determine if the added premium is worth the gamble.

A less expensive provision is the waiver of premium benefit. This provides that if the policyholder is totally disabled for six months or less, the policy will be kept in full force without further payment of premiums during this period.

The guaranteed insurability or additional purchase benefit requires additional expense to guarantee future insurability. It provides the policyholder the right to purchase additional insurance at standard rates regardless of insurability. The cost involved may be well worth the peace of mind in knowing that the breadwinner can be adequately insured. Be sure you know what provisions are made in regard to disability under this option.

How are companies able to pay dividends to their policyholders?

"Participating" companies are able to pay dividends to their policyholders because of an inflated premium that may be returned as a dividend. Wise investment of premium dollars, careful selection of policyholders and conservative operating costs also help the company pay dividends to policyholders.

How soon can you borrow on your life insurance?

Most companies allow borrowing on a permanent life insurance policy approximately one to three years after it has been issued. The policy must be in effect long enough to cover first year expenditures of the company and to have established a cash value upon which to borrow.

How long will it take for the loan to be processed if you borrow on your life insurance?

Companies usually require a simple application for a loan. Obtaining a loan usually takes only a week or two. Most policies include a statement that the loan may take from three to six months for processing, although this time period is considered a protection against "runs" on the company for cash.

Is it less expensive to pay premiums annually?

Yes, as a general rule, premiums paid on a more frequent basis by the policyholder cost 3 to 12% more than those paid on an annual basis.

Can life insurance premiums be paid by the bank?

A recent development known as the preauthorized check plan allows the company to draw a check or draft each month on the policyholder's checking account for the premium.

Does a life insurance policy serve as collateral on a loan?

Yes, the cash value in a permanent life insurance policy can be used as collateral for loans.

Can I drop my present policy if a better one comes along?

As you get older rates of life insurance increase. It is seldom advantageous to drop a policy in force and pick up another policy. Usually you will be paying higher rates and generally will be losing much that you have paid into the first policy due to the operational costs on the first few years of a policy. You will have a cash value built up within the policy, if you drop a policy with the savings feature. A new policy will be contestable for the first two years after it is written. Weigh the advantages of a new policy carefully before making a change.

Can the company cancel my policy if it finds that I made an error on the application?

Your policy will be incontestable usually after the first two years. This means that the company has two years to check all information and may seek release if false statements were given. The incontestable clause sets a time limit which protects you.

What happens to benefits if the age of the insured is reported wrong?

Proof of age is required before proceeds are paid. If there is an error in the insured's age, the company will adjust the policy benefits for the correct age at the time of death. The actual amount payable at death is the amount of insurance that would have been purchased for the premium paid if the true age had been stated.

Do companies pay in the event of suicide?

If death occurs from suicide within two years of the policy being written, most companies will pay the beneficiary only the premiums that have been paid in. Usually after the two-year period the insurance company will pay the beneficiary in full. Some companies refund only the premiums in the event of suicide even after the two-year period.

How do life insurance companies invest your premium money?

Premium money today is loaned to individuals and businesses who invest it in real estate, homes, stores, offices, hotels and shopping centers. Life insurance companies may also make investments of their own. Investments are now helping large cities build housing and provide jobs for low income residents. American industry is aided by life insurance funds providing for modern plants and equipment.

Is life insurance taxed within an estate?

Life insurance is included in the estate of the deceased only when the policy was owned by the deceased. Life insurance proceeds at death are subject to estate taxes if the total estate is worth more than \$60,000. When a man and wife are involved, the estate may be worth \$120,000 and qualify for the marital deduction.

If death benefits are taken in installments by the surviving spouse, the interest on these proceeds is taxed as income. Federal law exempts the first \$1,000 of such interest from income tax each year if the beneficiary is a widow or widower and receiving proceeds as principal and interest. If only the principal is left on deposit at interest, then the interest is fully taxed.

Pointers For Policyholders

Keep Your Situation in Mind

In deciding which type of policy to buy keep your own family in mind. The special combinations of term and whole life policies are best suited to the younger family. A family needs protection on the breadwinner when the children are young. Limited pay policies would fit into the family who can afford to purchase life insurance protection in a shorter period of time at a higher premium rate. Endowment policies should only be afforded by the middle-aged family with plenty of coverage already on the breadwinner.

Concentrate on Breadwinner

Coverage should be focused on the wage earner. Second, remember the value to your family of a working wife. When you feel that breadwinners are adequately insured, small policies to cover burial expenses should be purchased for other family members.

Know Your Costs

Premium rates are based on the age at which you apply for coverage. It does not pay to wait until you can more easily afford life insurance because the rate gets higher as you get older. Premiums can be paid monthly, quarterly, semi-annually, or annually. You usually save money by paying only once or twice a year.

Examine Your Health

A medical exam is usually required when getting insurance. Healthy, young persons can

sometimes qualify for insurance by merely answering medical questions from the agent.

Select An Agent

Your most valuable guide in buying life insurance is a reputable agent. A competent agent will take into account your needs now and in retirement plus any special needs you may have. You will want to review your program with him periodically as family needs change. Having an agent you can trust will ensure that you are not over or under protected with life insurance.

The State Insurance Director's office, State Capitol, can tell you if the company is licensed in the state. Judgments are not made as to a rating on various policies. The insurance director cannot be aware of what sales techniques have been used in your home unless a complaint is made. If in doubt about the agent's statements, ask the agent to put the material in writing and sign his name.

Review of Policy

Ask for a specimen policy to review before purchase. After purchase, reread your policy so that you gain a general understanding of its features. The policy should be kept in a safe place, preferably a safety deposit box, where other family members are aware of its location. Discussing settlement options with your beneficiary and agent will help them know your wishes. Be sure to keep your company and agent informed of your current address so that you can gain the most in their services to you.

