

MAKE YOUR LIFE SIMPLE

You realize the importance of life insurance and the value of the financial protection it provides. When you purchased your term life insurance policy, you took the important step of providing protection for your loved ones for a specified period of time.

However, have you considered the benefits of a permanent life insurance policy? Virtually all individually-owned term life insurance policies allow you to convert some or all of the coverage to a permanent plan.

GUARANTEES FOR LIFE

Some things shouldn't be left up in the air. You want to feel secure; you want to know you've got guaranteed coverage for life. And that as your needs change, so can your policy. You might want to increase your death benefit as your family grows, ensure that loved ones can afford the education they want, or protect your business after you're gone.

UNDERSTANDING THE BENEFITS

- Permanent life insurance policies offers premiums that remain the same and provide your loved ones with protection throughout your lifetime.
- A permanent life insurance plan may also build cash value, which may be withdrawn or borrowed during your lifetime.
- If you convert qualifying term life insurance to a permanent life insurance policy, the new policy's first year premium may be reduced.

DETERMINING THE VALUE OF CONVERSIONS

1. Decide if your beneficiary(ies) will be financially impacted by your death, no matter how long you live.
2. Write down the total amount of death benefit from all term life insurance policies that you currently own, but do not include it in the next three steps.
3. Estimate any debt in your financial or retirement planning that is never likely to be paid off, such as a home mortgage.
4. Consider the likelihood that, given your own or your parent's medical history, you may incur large medical bills near the end of your life.

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TERM CONVERSIONS

5. Add to those estimates the cost of final expenses, such as funeral, burial plot, and administrative settlement of your estate.
6. Against those three approximate amounts, calculate how much your surviving spouse and/or children would have to live on after your death.
7. If the sum of #3, #4, and #5 is greater than the dollar amount in #6, consider covering the shortfall by converting some or all of your term insurance to permanent insurance.

MEET THE DAVIS FAMILY

Ages

Husband and wife, both age 30, two children

Problem

The Davis's each own a \$1 million 20-year term policy (\$2 million in coverage, combined) but were unaware of the benefits of permanent coverage. Together, their premiums totalled \$1,245 annually for 20 years. But, at the end of 20 years, they are left with no coverage and no guaranteed death benefit if they allow the policy to lapse. OR, they could choose to keep the term policies in force by paying higher premiums after the 21st year, **starting at \$17,235**, and increasing annually.

Solution

Convert \$1 million from the two policies to permanent coverage with a universal life survivorship product. The conversions will be

attained age, which means the premiums will reflect the client's age at the time of conversion, and generally the sooner they are converted, the less expensive the insurance will be.

Now, the Davis's are paying \$2,877 annually to age 100 – with **guaranteed** coverage. The benefits of permanent coverage are sufficient to maintain current living expenses, including the mortgage and car payments — as well as provide funds for college educations for two children.

Why This Works

The Davis's understood term was a temporary solution for many of their needs, but when they saw the higher premiums at the end of the 20-year term policy, they knew it was important to convert to permanent coverage.

“ We wanted to convert the \$2 million as quickly as possible,” say the clients. “We loved the flexibility and the fact that we were able to customize our insurance program to fit our needs. This whole process has given us great peace of mind. ”

--- M.D. , Rhode Island