

Stretching Your Dollar

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I want to talk briefly about widows and what kind of life insurance their husbands leave. When a man goes, and his widow is left with life insurance, she is very rarely interested in what kind of policy he had, as long as she can live adequately on the money from it. A man buying life insurance now, must realize that some day his wife will be a widow. It is up to him to decide how much — and what type of insurance is best for his living needs.

There is no such thing as the "best type of policy for everyone." But there does exist an insurance plan which is best suited to your own, individual, economic requirements.

For most men who get up early in the morning, put in a full day's work, and come home dead tired to their happy little home, whole life insurance will probably suit their needs best. I say this, because whole life insurance builds a "cash value," and term life insurance provides none. By building a cash value, a whole life insurance policy acts like a combination life insurance plan and savings account.

The man in a very high income bracket might choose term life insurance because his "savings account" is the money he invests. Because he builds up his wealth by investment, he looks to life insurance purely for protection, or possibly to cover payment of estate taxes. For this man, term or financed life insurance affords the most insurance with the least dollar outlay.

But let's get back to the average breadwinner. Why is whole life insurance best for him? Why does he have to spend his money building a cash value at all?

If you are this average breadwinner, this cash will come in handy during an emergency, because you can borrow against it, while still keeping the basic life insurance in force. What is more, the rate you pay for this loan will probably be cheaper than any bank or finance company rate.

Another advantage which you have, as the holder of a whole life policy is the automatic premium loan provision. This means that the insurance company can automatically use some money from your accumulated cash value to pay annual premiums, in case you forget or if you just can't afford it.

Suppose you want to keep the insurance in force, but don't want to pay premiums any more. The cash value of a whole life policy comes to the rescue once again. You can use it to "pay up" the policy. Generally, this "paid up coverage" is about twice the amount of your cash value. Your agent can explain this to you in detail.

You can also use your cash value to put the policy on "extended term" coverage, instead of whole life. With extended term coverage, the face amount of the policy will remain the same for an extended term which is a specific period of time. The cash value here will be used to pay the premium for this period, and you make no further payments.

One thing to remember with whole life insurance coverage: these various options are available to you AT ANY TIME during the course of your coverage. You don't have to wait until you retire, or reach 65!

But if, at 65, after having paid your premiums through the years you become the average, retired, former breadwinner, how does your cash value in your whole life insurance policy help you now?

First, if you want, you can cash in the policy and receive the cash value as one lump sum. Use it for that long-awaited trip to Europe, if you want.

Secondly, you can take part of it to buy a motor boat and receive the rest of the cash value in installments from the insurance company. Also, you can receive it completely in installments, without taking a lump sum. This is called an annuity. Added on to your social security benefits, it could mean a sizeable income for quite a few years to come.

I began by talking about widows and what kind of life insurance their husbands had. Don't wait for your wife to become a widow, before she realizes that with a little forethought, her husband could have planned a better life insurance program.

Moreover, it would be foolish to wait until you retire to realize that if you had built up a cash value along with your insurance coverage, your retirement years could be much happier because of the unique flexibility of whole life insurance.

Do you have a will? You will probably answer, "Why do I need a will, when my savings are kept in a joint account with my wife, and I don't have anything else of value?"

You would probably be surprised to find out that you, like most people, are richer than you think! Not only are you unaware of your actual wealth, but you are probably not aware of some of the unforeseen complications which might affect your family, if you have not taken the trouble to write a will.

Your lawyer will tell you that rich or poor, you should have a will, because your "hidden" wealth can combine with the law of the state in which you live, to make your family's future completely different from what you would have directed in a will.

Your will covers both your family's financial future, and its physical well-being. For example: if you believe that when you die, your wife will automatically control your wealth, you are mistaken. Unless you direct in your will that she is to be the executor of your estate, a court will usually appoint an administrator — some one who could be a complete stranger to your family.

You can assume that your wife will be the head of the family if you are gone, but what if she dies along with you in an accident? Unless you direct, in your will, that a specific person be appointed guardian of your children, most courts have the authority to place your children under the guardianship of whomever they want or into whatever institution they want, although it is true that they will give preference to close relatives. By naming a specific guardian in your will, you have a chance to discuss matters with him (or her) in advance of any disaster.

The proceeds of your life insurance is included, along with everything else you own, in your estate. Also, don't forget, that many times you are paying for something on the installment plan, it will be completely paid up at your death because of life insurance taken out by the loan company on your life. Thus, the said up loan is also included in your estate.

Often, the question of who is to own the life insurance on your life is a major factor in planning for tax savings in connection with your estate when you die. Your will plays an important role here, because certain arrangements made on advice from your lawyer on behalf of your wife and spelled out in the will, can save taxes.

Rich, poor, worker, factory owner, doctor or astronaut, it actually costs very little to discuss your will with your lawyer. The advice he gives you, along with the trust officer of your bank and your life insurance agent, on the planning of your estate, will guarantee the future of your family.

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