



## PURPOSE DRIVEN LIFE INSURANCE





**Has someone ever called you on the phone and tried to sell you life insurance or any other product without knowing anything about you or your specific situation?**

That would be the same as telling someone what car to buy without knowing about the individual's specific needs. Does the individual have five children and require a mini-van or does the individual have no children, a limited budget, and a need for a compact car?

One size does not fit all, when it comes to purchasing life insurance. You may have family, friends, religious organizations, and other charities that bring meaning and purpose to your life. Being able to help and take care of those that provide us a purpose in life is essential. Like purchasing a car, the more you know about life insurance, the more prepared you will be to make an informed decision that meets your needs relative to the purpose of coverage, type of insurance, face amount, and cost that you can afford.

# Purpose of Life Insurance

## Provide for Family

The single greatest purpose for life insurance is to help protect your family if anything happened to you or your spouse. Many individuals purchase insurance because risk and loss are an everyday part of life. The risk of dying is catastrophic. Would there be enough funds for your children and grandchildren to get through school? Would there be enough funds available to maintain the family's current lifestyle, or would the surviving spouse have to liquidate the family home and make drastic life changes? What kind of future will you or your surviving spouse, children, and grandchildren have if they experience the sudden loss of you or your spouse?

## Family Uses for Life Insurance

- Replacing your income to assist your family in maintaining their current standard of living
- Protecting your family's home and assets by having sufficient life insurance to pay off the family's home
- Providing your children and grandchildren their education
- Allowing the potential to provide funds through cash value within a permanent life insurance policy that can be used for family emergencies, education expenses, or supplemental retirement income
- Providing money to help hire child care professionals, maids, and provide for other domestic services
- Growing cash value that is tax-deferred so that you can maximize the money available later for loved ones
- Ensuring an estate or business continues after your death, life insurance can help pay the estate tax liability and fund a buy-sell that allows you to pass your estate and business to loved ones
- Providing a benefit for a charity or religious organization that is important to the family





## Uses for Couples

If you do not have children but have a spouse or significant other, it is important to protect each other from loss in the event of either of your deaths. Is there a mortgage payment that requires both of your incomes to pay? Are there monthly expenses that require money from both of your checks? If your salary is gone, what will your spouse or significant other do? Life insurance can help provide the protection you need.

It can also provide protection if one or both of you have children from a prior marriage or other family members that you are responsible for. Permanent life insurance has a cash value component and cash value grows tax-deferred in the policy. This means it can grow faster than money that is taxed as it grows year after year. The cash value component can be accessed through policy loans in later years to provide money for emergencies, supplemental retirement income, or any other needs.

## Uses for Singles

If you are single, one must look to what the future holds. If it is just you and there is no one else to benefit, you may only need life insurance to cover burial expenses.

However, if you have loved ones such as siblings, nieces, nephews, a treasured pet or a charity you wish to benefit, permanent life insurance may be right for you.

Life insurance can also be a way to help plan for your retirement. The cash value of a permanent life insurance policy can be utilized to supplement retirement income through policy loans. Even if you do not have a family to provide an income for, life insurance can cover final medical expenses and funeral costs.

## Uses for Children

Many parents want to provide opportunities to their children that they never had. One way to achieve this is to purchase a permanent life insurance policy on each child when they are very young. The cost of the insurance is lower at younger ages and the cash value will accumulate as they grow up. This provides the child permanent protection with the additional benefit of cash value that can later be accessed through policy loans and can be used for purposes such as the purchase of a starter home or simply remain as a level of protection as your child starts their own family.

# How Much Life Insurance Coverage Is Enough?

Many experts will venture that you will require five, ten, or even 20 times your salary in life insurance. If a multiple of twenty is used at a 5% return, it will replace your current salary. Another way to determine your individual needs would be to determine all of the current and future liabilities you need to provide for along with enough money to provide sufficient cash flow for those you leave behind.

**The tally would include:**

- Mortgages
- Car and other loans
- Credit card balances
- Future education expenses for all children or grandchildren
- Any other liabilities you may have
- Capital to provide ongoing income or future retirement income
- Any other expenditures or legacy's you wish to leave

This is a simple analysis and does not take into account inflation which may suggest that Joe and Jean may need up to \$1,000,000 in total life insurance on Joe's life. They would then try to estimate the cost of replacing what Jean does in the home. Although you cannot replace the love Jean provides her children, you can estimate the cost of child care, maids, and any other domestic services Jean provides the family.

As a result, the advisor is recommending \$1,000,000 of insurance on Joe and \$275,000 on Jean to meet the family's current needs.

## Example

Joe, the primary breadwinner, and his wife Jean have three children age 5, 6, and 7 and Joe's insurance agent is visiting. They are trying to determine Joe's true insurance needs. Their list includes:

Need	Cost
+ Mortgage	\$ 100,000
+ Second Mortgage	\$ 30,000
+ Car loans	\$ 28,000
+ Other Unsecured Loans	\$ 10,000
+ Credit Cards	\$ 15,000
+ College Education	\$ 144,000
+ Weddings	\$ 50,000
+ Required Income Stream of \$3,000 per month(@5%)	\$ 720,000
<b>Total Needs</b>	<b>\$ 1,097,000</b>
<b>- Total Investment Assets Available</b>	<b>\$ 250,000</b>
<b>Net Required Capital</b>	<b>\$ 847,000</b>

# What Combination of Coverage Meets Your Needs?

Depending on what stage of life you are in and your specific needs, you may need a combination of term and permanent life insurance coverage. Examine your budget to determine how much you can spend and match this with your needs, goals, and desire to protect your family and other loved ones.

## Let's Take A Look at Joe and Jean Again

Joe and Jean are both 35 years old, and Joe has a salary of \$75,000. They evaluate their budget and determine that the maximum amount they can spend on life insurance to help protect their family is \$3,500 per year. Joe and Jean want to build up cash value in a permanent life insurance policy so that years down the road they will have money they can borrow to make sure their mortgage is paid off at retirement and provide them a cushion for retirement. In the meantime, they want these future liabilities taken care of if something happens to either of them. They believe if they purchase a term life insurance policy, they will need the protection for 20 years until their youngest child graduates from college.

Both of them are in good health and they apply for life insurance to see what kind of offer they receive from the insurance company. Joe is rated preferred and Jean receives a standard rating so they decide on the following:

	Type of insurance	Annual Cost
Joe	\$300,000 – Permanent Life	\$1,844
	\$700,000 – 20 Year Term Life	\$480
<b>Total Annual Cost for Joe</b>		<b>\$2,324</b>
Jean	\$125,000 – Permanent Life	\$825
	\$150,000 – 20 Year Term Life	\$256.50
<b>Total Annual Cost for Jean</b>		<b>\$1081.50</b>
<b>Total Annual Cost for Both</b>		<b>\$3405.50</b>

Joe had hoped he could afford \$500,000 of permanent life insurance and \$500,000 of term life insurance but the cost would have exceeded Joe and Jean's budget for life insurance. Hence, more term life insurance was substituted to bring the price down. If Joe is insurable in the future or takes a term life insurance policy with the ability to convert to permanent life insurance at a later date without proof of insurability, Joe can add more permanent life insurance later.

Each individual's situation and circumstances will be different and based upon their budget and needs, the amount of term life insurance, and amount of permanent life insurance will vary. You should choose the combination that works best for you. Having sufficient life insurance to meet the needs of you and your family will give you the comfort of knowing you are covered in the event of a tragic loss.

The satisfaction that comes from protecting those who provide purpose in your life will give you peace of mind in knowing your loved ones will have the financial comfort they deserve. These unforeseen risks can occur at any time. Do not wait. Contact your financial services professional today and make an appointment for your family's future well-being before it is too late.

**Example assumes:** Joe is rated preferred, and Jean is rated standard. The permanent life insurance quoted is Signature Performance Universal Life (values reflect endowment at maturity) and the term life insurance quoted is ANICO Signature Term Life Insurance as of 7/1/2021. ANICO Signature Term-NY will have different premiums. The use of alternative assumptions in these examples could produce significantly different results. These hypothetical examples are intended solely for illustrative purposes and should not be relied upon as being typical of any individual.



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1) You will never be credited a negative interest rate related to a change in index, however due to monthly deductions to your policy, your accumulation value may decrease.

Neither American National nor its representatives give tax or legal advice. You should consult with your tax and legal advisors regarding your specific circumstances.

The Signature Indexed Universal Life Insurance policy is not a registered security or stock market investment and does not directly participate in any stock or equity investments or index. When you buy this policy, you are not buying an ownership interest in any stock or index. American National and its agents do not make any recommendations regarding the selection of indexed strategies. American National and its agents do not guarantee the performance of any indexed strategies. There is not one particular interest crediting strategy that will deliver the most interest under all economic conditions. Policy Form Series: IUL14; IUL14R(NY); ART18; ART18(NY) (Forms may vary by state).

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## Types of Life Insurance Available

<b>Term Life Insurance</b>	<p>Term life insurance provides temporary protection for a specific period of time and pays a benefit only if you die within that period of time which may be one year, ten years, or twenty years. Term life insurance that is issued or purchased while you are young can provide the maximum death benefit for the lowest cost. Should your needs change in the future, some term policies provide a conversion period which allows you to convert your term policy to a permanent policy.</p>
<b>Whole Life Insurance</b>	<p>This is the oldest and most conservative type of permanent life insurance. Typically, the premiums and death benefit remain the same over the life of the policy. The cash value in the policy continues to grow at a guaranteed fixed cash value schedule. Whole life insurance may be the most expensive permanent life insurance but provides the most certainty.</p>
<b>Universal Life Insurance</b>	<p>Universal life insurance (UL) provides flexibility in premium payments and death benefit. Universal life insurance features a cash accumulation feature that grows tax-deferred. Often, there are guaranteed minimums, but the policyholder can share in upside potential depending on how the policy is structured. Indexed UL policies are also available which allow you to place a percentage of the premium in a fixed account and a portion in indexed accounts. An indexed product credits interest based upon the performance of an Index; however, you are never invested directly in the market and your policy will never be credited a negative interest rate. This allows you to take advantage of the potential increases in the index while maintaining a level of protection if the index drops below 0%.<sup>1</sup></p>

## Life Insurance Advantages and Disadvantages

	Advantages	Disadvantages
<b>Term Life Insurance</b>	<ul style="list-style-type: none"> <li>Initially, premiums for younger individuals are lower than those for permanent life insurance</li> <li>Lower cost means you can afford more coverage at a younger age when more coverage may be needed</li> <li>A great way to cover specific needs that may be temporary</li> </ul>	<ul style="list-style-type: none"> <li>Provides coverage for a specific period of time, not for the life of the individual</li> <li>Coverage may terminate at the end of the period chosen and may become too expensive to continue</li> <li>Premiums must be paid each year to continue the policy</li> <li>Does not offer cash value</li> <li>Once the coverage ends, you typically receive nothing back from the insurance company.</li> </ul>
<b>Permanent Life Insurance</b>	<ul style="list-style-type: none"> <li>Guaranteed protection as long as the premiums continue to be paid.</li> <li>Permanent life insurance can accumulate cash value over time.</li> <li>If the policy performs as expected, your premiums will have a benefit in the form of cash value compared to term life insurance, which is pure insurance.</li> <li>Cash value can be accessed and borrowed, the policy can be surrendered, or the policy can be converted to an annuity.</li> <li>Cash value can be used for any purpose including supplementing retirement income, funding education, and utilized in the event of an emergency.</li> </ul>	<ul style="list-style-type: none"> <li>If too much is borrowed from the policy, the policy could run out of cash value and terminate which could lead to a taxable event.</li> <li>Permanent insurance is only a good option if you plan to keep the policy for a long period of time.</li> <li>Surrendering a permanent life insurance policy in the early years can involve surrender charges.</li> </ul>

Not FDIC/NCUA insured | Not a deposit | Not insured by any federal government agency | No bank/CU guarantee | May lose value

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