



Opportunities and Pitfalls With Today's Life Insurance Products

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Term insurance

■ Opportunities

- Affordable coverage with the option to convert to a cash value policy later
- Easy to compare prices
- Easy to determine if you still have a good deal

■ Pitfalls

- Conversion options
 - For how long?
 - To what?
- Fractional premiums
- Return-of-premium term

Traditional whole life

■ Opportunities

- Blending
 - Lower commissions
 - Higher policy values
 - More flexibility
- Limited-pay using blending and reduced paid-up option
- Using existing policies as fixed-income investments

■ Pitfalls

- Predicting future performance
- Fractional premiums
- Cost of borrowing
 - Fixed or variable rate?
 - Direct recognition?

Nonguaranteed universal life

■ Opportunities

- Using premium flexibility to save money by looking at:
 - Load structure
 - Survival probabilities
- Blending
- Using existing policies as fixed-income investments

■ Pitfalls

- Predicting future performance
- Indexed universal life
 - Learning curve
 - Leveraging

Guaranteed universal life

■ Opportunities

- Using premium flexibility to save money by looking at:
 - Contract details
 - Survival probabilities

■ Pitfalls

- Failing to understand how the no-lapse premium is calculated
- Low cash values

Variable universal life

■ Opportunities

- Using premium flexibility to save money by looking at:
 - Load structure
 - Survival probabilities
- Blending
- Using existing policies as fixed-income investments

■ Pitfalls

- Predicting future performance
- Comparing illustrations (gross vs. net returns)

Combination products

■ Opportunities

- Theory

■ Pitfalls

- Practice