

# The 3 Ways to Use Life Insurance

Life insurance is key for essential financial security – to give you the peace of mind that is quality of life. But not all life insurance is the same and the reasons for buying it are not the same either.

There are 3 general ways prudent investors use life insurance:

**1. Short-term Tax-free Cash at Death:** All life insurance is about tax-free “cash at death”. Only life insurance can deliver the right amount of cash at exactly the right time – when you need it most and have it least. The simplest life insurance is purchased ON the life of a person to provide tax-free cash at their death to provide for the well-being of those they love.

Term insurance of various terms like 10, 15, 20 years, provides tax-free cash to cover financial responsibilities that terminate. These are responsibilities like a mortgage, supporting young children until they leave high school or university, to cover other loans and obligations and other needs that have a given expiry date. Term insurance covers responsibilities that “terminate” – that’s why it’s called term or terminating insurance. Remember, it is actuarially designed to terminate before you do. That’s why it is less expensive.

**2. Long-term Tax-free Cash at Death:** This is also life insurance ON a person, but it is for financial obligations that do not expire until you do, whenever that might be – right up to age 100. We buy a permanent policy for a permanent need. Permanent needs include final medical, burial, and funeral expenses, terminal income taxes, any outstanding financial obligations, special bequests, business needs and philanthropy. The idea for this permanent insurance is to get the best value for money for the long term or a cost-effective way to cover a financial liability upon your death to protect someone or something you love.

Choosing between these first two general types of contract depends on the size of your obligation; the length of time you want protection, and the amount of money you have available to work with. These are the familiar life insurance discussions that we have with our clients and prospects all the time.

**3. Long-term Tax-free Cash *for Life*:** Life insurance can also be a “Cash for Life Plan”. It can be purchased FOR the life of someone, not just ON them - to provide tax-free cash for their life – for the life of the insured and not just for the welfare of the beneficiaries. You can be the beneficiary of your own life insurance policy while you are still alive.

Life insurance FOR someone takes advantage of the actuarial construction of the plan, generous government income taxation exceptions for its societal and economic value and the miracle of compounding over time to create an asset that only grows in value; can never lose value; grows tax-free; values can be accessed tax-free and finally will be paid to beneficiaries tax-free.

As a foundational asset, it provides the resources you need to both take advantage of opportunities and be a buffer against bad times.

### **Which way to go?**

The plain term insurance need is often obvious. For middle age and younger prospects with large needs and limited discretionary incomes, term insurance is an obvious first recommendation. And we always want survivors to have the “right amount” of life insurance protection before they have a particular kind of coverage. Given the low price of term life insurance, no client should have less protection for their family’s welfare than they need.

If there is a larger budget, then it’s prudent to decide on a monthly financial commitment and customize a program that suits the ways you want to use life insurance for yourself and your family. That way you can get the best use of the product.

**Contact me to learn more. We’re open for business – virtually – and happy to help.**

**Andy Kovacs | 289-818-1741 | [andy.kovacs@sunlife.com](mailto:andy.kovacs@sunlife.com) | [www.sunlife.com/andy.kovacs](http://www.sunlife.com/andy.kovacs)**