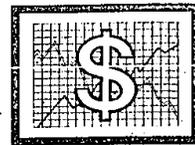


Business

Barry Jensen editor/591-2300



Thursday, September 13, 1984 O&E

(T.R.-10A, B, F-ECX07C)

Universal life looks good

By Sid Mitra
and Mari Kulkowski
special writers



finances
and you
**Sid
Mitra**

the rates of return from savings.
Tax Advantages of UL

UL enjoys the same federal income-tax advantages as regular whole life. The death benefit is normally exempt from income taxes. In addition, the money returned upon policy surrender is taxable only if that money plus dividends not used for buying additional insurance exceed the total premiums paid.

The tax status is determined by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).

UL and Your Dollar

The accompanying table illustrates the nature of UL. The figures are for a \$100,000 UL policy for a 35-year-old male nonsmoker. The premium is \$2,000 a year.

UL is attractive because, although the company only guarantees to pay a small interest rate (e.g. 4% percent) for accumulating cash values (Section A), it pays closer what it earns on investments (Section B) (e.g. 11 percent).

The results are phenomenal. If accumulated at 11 percent, in 30 years the policyholder would have a death benefit of \$412,374 as compared to only \$120,828 if the cash value accumulated at the guaranteed rate of 4% percent.

Interestingly, the death benefit is the amount you specify in your application or the cash value plus \$25,000, whichever is greater.

In a whole life policy you would receive only the face amount.

Before You Buy UL

There is little doubt that UL is attractive. However, that doesn't mean that it's what you should buy. In any event, ask at least the following questions before you buy UL:

- What is the load charge?
- How long is the current rate guaranteed?
- How much are the surrender charges?
- What are the medical requirements for increasing the policy's face amount?

Year	Whole cash value at 4 1/2 %	death benefit	Universal cash value at 11 %	death benefit
1	\$1,717	\$100,000	\$1,930	\$100,000
5	9,487	100,000	12,228	100,000
15	34,457	100,000	67,222	100,000
30	95,828	120,828	387,374	412,374

Educational Seminar: The Sept. 18 seminar is filled. The Observer & Eccentric Newspapers and the Coordinated Financial Planning staff will conduct a seminar 7:30-10 p.m. Tuesday, Oct. 9, at the Mercy Center, 28000 11 Mile Road, Farmington Hills. The seminar is free, but registration is required. For more details, call 643-8888.

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Part III

In the insurance industry, the major development has been the introduction and incredible growth of the Universal Life (UL) policy.

Although sold under a bewildering variety of names (including The Answer, The Solution, and Ultimate Life), all the policies operate on the following basic pattern: Your premiums, reduced by the company's fees, go into a fund from which the company draws money to pay for term insurance on your life. The remainder — the cash value reserve — earns interest at or near market rates.

What is universal life (UL)?

UL is a variation of whole life but with striking differences. First, the savings yields are substantially higher than those earned under whole life, and are likely to remain so. Second, the company will notify you periodically what interest it will be paying.

In addition, UL is highly flexible. Generally, you can raise or lower the face amount, or death benefit, as circumstances change, with no need for rewriting the policy.

YOU CAN vary the premium payments. If you can't make a payment, you can use money from the accumulated savings — the cash value — to cover it.

As is true with regular whole life, you can borrow against the cash value, usually at below-market interest rates.

You can cash in the insurance policy at any time and collect all or most of the savings.

Part of each UL premium payment is used to pay for the insurance. The rest is invested in low-risk financial instruments after the company deducts enough money to pay for sales commissions, administrative costs and profits.

YOU CAN, within limits, designate the proportions you want the company to maintain between insurance and savings.

Policyholders receive annual reports showing the amount of insurance protection, the cash value, costs of the insurance, company fees, the amounts credited to savings from premium payments, and

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