

# LIFE INSURANCE



"What's the death rate around here?" a stranger asked an elderly resident of a small town.

"Same as everywhere else," replied the old-timer. "One to a person."

It's as accurate a statement as you'll find about the supreme fact of life--everyone has to go sometime and everyone knows it. And many people, particularly bread-winning men, fear that their demise will leave their families in a dire financial condition. So they buy life insurance.

Unfortunately, they often buy it in an unplanned and random fashion.

There are certain things that life insurance can do and others that it cannot do, and it is well to know the difference. The first question a man often asks himself is: "How much life insurance should I have?" This seems to presuppose a formula, perhaps based on income, or the number of kids, or your age.

But there is no such formula, and insurance men will be the first to tell you so.

Jim Gotch is Superintendent of Agencies for Republic National Life, supervising general agents in Plymouth, Westland and Livonia. His

answer to the "How much?" question is: "It depends on what the man wants for himself and his family. He's the only one that can decide that. No one can tell him."

"Basically, I would say a good life insurance program will pay for the education of children -- figure about \$10,000 a child -- it should get the mortgage out of the way, and it should take care of the widow during a certain interval. The period I'm talking about is between the time her children become too old for Social Security benefits as dependents of a widow and the time the woman is 60 when she can start drawing her own Social Security.

"I think the best way to do this is with a happy combination of term and permanent insurance."

Term life insurance is the simplest, least costly type of life insurance. You pay a premium for a given amount of life insurance for a stated time, say one year. If you die during the year, your beneficiaries receive the amount of the policy. If you are alive at the end of the year you have lost the entire premium; it has no cumulative value. Then you must pay another premium to cover

you for the next year.

Permanent insurance may take many forms. A 30-pay life policy, for example, means that you pay premiums for 30 years. After that, you no longer pay premiums, but the policy remains in force. When you die, your beneficiaries will be paid the face amount of the policy. Meanwhile, however, you may decide to surrender the policy for its accumulated cash value. The amount of the cash value depends on many variables, but the point is that this kind of insurance does have a monetary value if you care to use it.

Permanent insurance can be looked upon as forced savings and as a minor investment because interest plays a part in determining its monetary value. But life insurance should not be regarded as a prime way to get a return on your money. Securities and other types of investments, including savings accounts, usually pay more.

The difference between the cost of term insurance and permanent is dramatic. Let's take a man age 35 who decides to put \$300 a year into life insurance. For his \$300 he can get \$100,000 worth of term insurance, or \$17,000 worth of ordinary life insurance.

At the end of the year, his term insurance will expire and the \$300 will be, in effect, wasted -- he'll have nothing to show for it. At the end of the year, his ordinary life would have accumulated a small cash value.

So, as Gotch points out, the breadwinner should decide how much immediate death benefit he wants and how much reserve he needs for the future and combine the two types of insurance in a suitable proportion.

Not everyone sees a need for life insurance.

"I've run into cases," Gotch says, "where the guy will say, 'Once I'm gone, I couldn't care less about what happens to the rest of 'em.'"

"That's usually the first time the wife has ever heard him express that idea. That's when I start looking for the door."

Gotch says that an important and often overlooked type of insurance is disability income insurance.

"Actually, you have a better chance of being disabled than dying. And it can cost a lot more, too."

This kind of insurance is sold to cover disability from accident and sickness or accident only.

"A common form is to provide 5 years of income from disability by sickness and lifetime from accident. This is on the theory that sickness will usually resolve itself, one way or another, in less than 5 years, but an accident can cripple for the remainder of a long life," Gotch says.

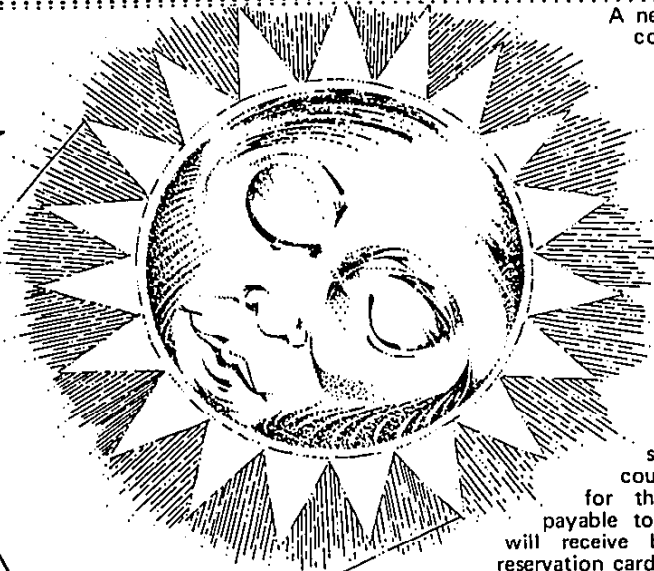
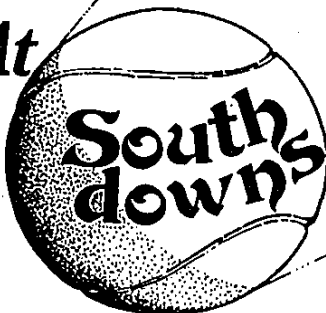
Disability insurance can also be arranged to meet your mortgage payments or pay your rent while disabled.

Health insurance is sold by many life insurance companies. Some of them will confess, however, that it is not their favorite form of business.

"It's almost impossible to keep up with health costs," said one insurance man. "They keep going up, and they vary greatly from one area to another. Southeast Michigan is high in medical costs."

Always, bear in mind Jim Gotch's formula: "Ask yourself, 'What's best for me?'"

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