



# THE UKRAINIAN NATIONAL ASSOCIATION FORUM

## Insurance MATTERS...

by Irene Jarosewich

### *Insurance is like a pair of shoes ...*

... one size does not fit all, however, there is a perfect fit for everyone. Although the comparison may sound silly, the comparison itself is a perfect fit. Insurance is a form of protection; everyone needs to be protected, yet everyone needs to be protected differently. A family with a working parent, one at home and three small children has very different insurance needs than an older couple with one unmarried child.

The core business of the UNA is life insurance, both term and permanent. Term life insurance provides coverage for a limited period (a term), frequently in blocks of 10 years. Often term insurance is used to supplement a lifelong permanent policy. For example, let's say that between the ages of 25 and 55 a family needs extra protection for those 30 years when the children are growing and going to college. Term insurance is a popular option. After age 55, when the children may no longer need a parent's income, and with a permanent policy still in place to cover the spouses, a term policy can be ended.

Unlike term policies that cover shorter periods, permanent insurance covers an insured's entire lifespan. Since these policies cover many more years, including the higher risk years of old age, these policies are more expensive.

Permanent life insurance policies have two components: besides the insurance component, there is also a savings component. Again, unlike term policies, in addi-

tion to providing a benefit upon death from the insurance component, the savings component of a permanent policy accumulates into a cash value that the policyholder can access as cash or as a loan.

Furthermore, within the category of permanent life insurance, there are three general types: universal and variable, which include stock market investments as their savings component, and whole life, the type offered by the UNA. Whole life includes the more conservative method of compound interest as the savings component.

To understand more distinctly how the components of a permanent whole life insurance policy can help with financial planning, let's consider the example of Zenko. After paying premiums for many years, Zenko has built up a cash value of \$45,000 in his whole life policy. If Zenko suddenly needs \$20,000 to help his grandson with graduate school, he could withdraw that amount against the cash value of his policy. This ability to access cash value is an important benefit of permanent life insurance policies.

Besides accumulating cash value and offering protection against loss of income due to unexpected death, permanent life insurance can also be a valuable tool in estate planning. Since the payout from life insurance is not subject to federal or state income taxes, or estate or gift taxes, life insurance is a solid tool to use to pass along wealth to heirs or charities.

For example, Hanusia, age 60, has a long-term CD in which she has \$80,000. Although she expects to live many more years, nonetheless, planning for her future, she has told her children that she wants this money to pay for her final expenses, with the remainder for her children. Every year Hanusia continues to pay income taxes on the earned interest in the CD. After she passes, the principal of the inherited CD will be exempt from federal

ble for income taxes on any interest earned after their mother's death until the CD comes due, or pay a penalty for early withdrawal. All this could add up to several thousands of dollars.

An alternative and financially practical solution would be for Hanusia to purchase a single-premium whole life policy for \$80,000 designating her children as the beneficiaries. At age 60, that \$80,000 will buy her approximately \$151,000 of face value permanent whole life insurance. That amount, the full \$151,000, is the amount that will be paid out to her children. Since life insurance payouts are exempt from all taxes in all states, as well as from federal taxes, her children will receive the full \$151,000 tax-free and will not be subject to early withdrawal penalties, as with a CD. The insurance payout

will not be subject to probate and the payout will be almost immediate, allowing Hanusia's children to cover her final expenses in a timely manner. In the event that Hanusia will need cash to help with medical care or nursing assistance before she dies, the cash value of the whole life policy can be used.

With more than century of service as a fraternal benefit society, the UNA continues to live by its motto: The UNA and the Community: Partners for Life. Let the UNA help you choose cost-effective term and permanent whole life insurance products for your financial planning needs. The toll-free number to the UNA Home Office is 800-253-9862, and the direct toll-free number to UNA sales staff is 888-538-2833. To locate contact

***September is Life Insurance Awareness Month, the perfect time to take stock of your life insurance needs. As Irene Jarosewich notes in her article, life insurance can be customized to fit each budget and goal, protecting your family financially from any unexpected turns. For a general sense of your life insurance needs, visit the UNA's online life insurance calculator at [www.ukrainsiannation-association.org](http://www.ukrainsiannation-association.org).***

***— Christine E Kozak,  
UNA National Secretary***

and state income taxes, however, not necessarily from state estate or state inheritance taxes. Hanusia's children will be lia-

information for a UNA branch secretary in your area, visit the UNA website at [www.ukrainsiannation-association.org](http://www.ukrainsiannation-association.org).