THE UKRAINIAN NATIONAL ASSOCIATION FORUM

Insurance MATTERS...

by Irene Jarosewich

UNA favorites

Insurance and annuities can be chosen to meet a variety of terms and needs of individual clients. Nonetheless, a few UNA products are consistently popular since they appeal to the needs of a broad spectrum of people. Below are two popular life insurance products and two popular annuity products that are often purchased.

Life insurance

Premium-20, or P-20 for short: This UNA workhorse is well-liked for several reasons. A permanent whole life policy, all the premiums are paid within 20 years, yet the policy is in effect for a lifetime. Most whole life policies stretch payments over many more years, therefore while the payments could cost less annually, the responsibility of payment also is longer. With a P-20, all premiums are paid within 20 years. This approach may make annual premiums higher than those for a typical whole life policy since premium payments are condensed into a shorter period; but then, like a mortgage, the policy is paid for and no more worries.

This type of policy is particularly effective for young to mid-life adults. A couple, each of whom is 35 years old, could each purchase a P-20 policy and be done paying for the policies by the time they reach 55. Their relatively young age when they purchased the policy means that their premiums would be lower than if they bought life insurance when they were older, and since they would be paying during their peak earning years, the burden would be less. In turn, if they simply bought term life insurance at age 35, and then tried to buy term again when they were 55, they would discover that the term rates from age 55 to 75 would be substantially higher. However, with a paid-up P-20 policy, they would have no life insurance costs, but would still have coverage for the rest of their lives.

Single Premium Whole Life: A no-fuss, no-muss policy, this is a popular choice for many people. Older clients who often have money scattered in various accounts, such as CDs, savings and money markets, or an underperforming mutual fund choose to consolidate the money from these accounts and purchase a life insurance policy with the combined money, paying just one premium upfront.

Often these individuals planned to have their children inherit the money in these accounts anyway so, rather than worrying about bank fees and taxes, a financially prudent choice is to buy a single premium policy and then list the heirs as the policy beneficiaries. The heirs will inherit the money tax-free and outside probate. This step should be taken with funds that are outside those required for everyday needs, of course. However, if necessary as a safety net, the cash value in such a policy can be accessed in certain instances later, such as payment for medical illness.

Annuities

Five- and seven-year annuities*: These products are for those who are risk-averse and like simplicity. With interest rates at minuscule levels, the UNA's five-year annuity pays 3 percent and the seven-year annuity offers 4 percent for the first 12 months. Another benefit is that both of these annuities are flexible premium, which means that additional money can be added later without fees or penalties and without extending the surrender period – an option not available with a savings product such as a CD.

Since annuities are tax-deferred, the interest earned in this product is far superior to those of comparable term CDs. Some people still believe that interest rates "will go up any day now." However, even if interest rates do rise, they will not rise dramatically or quickly. The relatively high initial interest rates on these products, combined with compound interest that is tax-deferred for five or seven years makes these annuities a favorite.

Nine-year annuity*: At certain times, an individual can be confronted with the need to make a decision about how to effectively manage a one-time larger sum of money received, say, from an inheritance, the sale of a large asset, or the need to roll over a 401(k) from an employer. The safety of a nine-year annuity that, like all annuities, protects the principal, the higher initial interest rate of 5 percent and the ability to add funds later without penalty makes this annuity a popular option.

Another reason to choose the nine-year annuity is the need to save a large amount for retirement in the final decade before retirement. If you have been self-employed and suddenly realize in your mid-50s that you really need to be putting away more money towards retirement, then the relatively low contributions and tax limitations of IRA accounts can make them unsuitable for deposits of large sums, which is another reason the nine-year annuity is a good choice. Like all annuities, money placed in this type of policy earns compounded interest that is tax-deferred.

With more than a century of service as a fraternal benefit society, the UNA continues to live by its motto: The UNA and the Community: Partners for Life. To find out more about how UNA products can help you, contact the UNA Home Office at 1-800-253-9862, the UNA sales staff directly at 1-888-538-2833 or find your local UNA branch secretary through the UNA website at www.ukrainiannationalassociation.org.

** Interest rates can change at any time.*