



THE UKRAINIAN NATIONAL ASSOCIATION FORUM

Insurance MATTERS...

by Irene Jarosewich

Simple, versatile: Single-premium whole life

Year after year, the most popular life insurance policy offered by the UNA continues to be single-premium whole life. This no-fuss, no-muss policy was mentioned briefly in an earlier column, but now let us consider more fully the reasons why the single-premium whole life may be a good choice for you.

The first draw is simply the simplicity of the product – this policy requires only one premium up front. There is a sense of relief that comes without having to think constantly about monthly or annual payments.

Often people in their 50s will receive an inheritance from elderly relatives and, from this sum, a certain amount can be allocated to the purchase of a single-premium whole life policy. While it is tempting to use extra cash or unexpected cash to increase retirement funds or decrease debt, typical concerns for those who are in middle-age, allocating a certain amount to a single-premium whole life policy would be a smart move financially for many of the reasons noted below.

Seniors in their 60s and 70s are at the stage in life when they are aware of what they will need to retire and often have extra money, more than is needed for daily living, tucked away in various CDs, savings or money market accounts, underperforming mutual funds. Consolidating this scattered money into one single-premium payment for tax-deferred growth in a life insurance policy is more beneficial financially than continuing to pay taxes and fees on low-interest investments.

Besides simplicity and financial strategy, whether it is \$5,000 or \$50,000, the initial premium buys a larger benefit, often referred to as face amount, payable to your beneficiaries in the future. In this way, a purchase of a single-premium whole life policy immediately increases the value of your estate and increases the amount that heirs can inherit. This is the leveraging benefit of the single-premium policy.

Furthermore, the policy begins to earn tax-deferred growth shortly after payment

of the single-premium. Since the policy is fully funded from the beginning, the cash invested increases rather quickly through compounding interest. Besides increased face amount, this tax-deferred growth is another way to increase the value of your estate.

Besides increasing the amount that can be left to your beneficiaries, this increased value can be passed on to your heirs free of income tax. A tax-free transfer of wealth is always a good reason to choose a financial product. Besides an income tax-free transfer of wealth, the ease of the transfer is also important. All that is needed is a proper designation of beneficiary and the benefit amount is paid directly without probate or fees.

Or, if necessary, the value of the policy can be used as collateral during your lifetime in the event that you wish to take a loan. Since the interest rate on the loan is usually the same or close to the rate of interest that is being paid on the policy, in effect, you are giving yourself an almost-interest-free loan. Certain conditions must be met with such a loan, nonetheless, the conditions are not onerous.

Along with all life insurance policies, if you designate your estate as the beneficiary, single-premium whole life offers immediate liquidity. Often after death, your heirs must pay outstanding expenses. Leaving them with access to immediate cash through a life insurance policy removes the burden of payment from them and allows you to take care of your future responsibilities before you die.

Besides liquidity after your death, single-premium whole life buys you protection while you are still alive. For many seniors, term life insurance is prohibitively expen-

sive, and few want the burden of extended payments of a standard whole life policy. A single-premium buys protection for a spouse or other family members for whom you would like to provide income after your death.

Many single-premium whole life policies also allow for the withdrawal of the cash value of the policy in the event that long-term care is needed, or for medical expenses in the event of terminal illness. If necessary, certain policies can be sold in order to obtain required cash. These types of options are frequently referred to as the living benefits of the single-premium whole life policy.

Finally, another major reason for the popularity of the single-premium whole life policy is the conservative nature of the investment itself. A fixed interest rate provides the safety and stability of constant growth in your policy; the death benefit is established when the policy is purchased. A guaranteed benefit, with a guaranteed minimum rate of interest that provides compounded growth, no risk to principal and the stability of an insurance company – really, what's not to like about this product?

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