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**Information for the Consideration of**  
**Preferred Client**

**Presented by:**

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# How Much Life Insurance Do I Need?

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## How Much Life Insurance Do I Need?

How much life insurance is enough depends on your individual needs and your financial objectives for your family.

While life insurance cannot replace you, it can provide the funds to:

- **PAY FINAL EXPENSES**
- **REPLACE ALL OR A PORTION OF YOUR INCOME**
  - **KEEP YOUR FAMILY IN THEIR HOME**
  - **ESTABLISH A COLLEGE EDUCATION FUND**
  - **COVER FINANCIAL EMERGENCIES**
- **PROVIDE A CHILD AND/OR HOME CARE FUND**

### How much life insurance is enough?

This question is best answered through an analysis of your family and financial situation, as well as your financial goals and objectives.

# Types of Life Insurance

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## What Type of Life Insurance Should I Buy?

All life insurance falls into one of two categories of coverage. Each category has certain characteristics that make it more suitable for certain needs:

### 1. Term Life Insurance

- Provides temporary protection for the term of the policy.
- If the insured dies within the term period, the insurance company pays the death benefit.
- If the insured survives the term period, the coverage terminates.

### 2. Cash Value Life Insurance

- Provides lifetime protection, so long as the policy is kept in force.
- The insurance company pays the death benefit regardless of when death occurs, so long as the policy is kept in force.
- The policy accumulates cash values that can be used during the insured's lifetime (withdrawals and loans will reduce the policy's death benefit and cash value available for use).

# Types of Cash Value Life Insurance

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## What Types of Cash Value Life Insurance Are Available?

Depending upon your needs and personal preferences, you may select a cash value life insurance policy with features that include:

- fixed or flexible premiums;
- guaranteed cash values\* or cash values based on current interest rates; and
- level or increasing death benefits.

### Whole Life Insurance

A whole life insurance policy features a fixed, level premium and cash values that accumulate at a guaranteed\* rate of return. The insurance company promises to pay a guaranteed\* death benefit. In addition, a whole life insurance policy may provide policy dividends that can be used to reduce premiums or increase cash values and death benefits.

### Universal Life Insurance

With a universal life insurance policy, the policyowner may increase or decrease premium payments and select from a level or increasing death benefit. Cash value accumulations reflect current interest rates, with a minimum guaranteed\* rate.

\* Guarantee is based on the continued claims-paying ability of the insurer.

# Introduction to Whole Life Insurance

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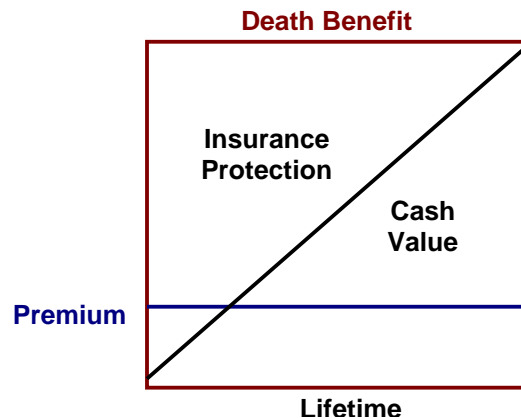
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## What Is Whole Life Insurance?

### Features

- guaranteed\* level death benefit, so long as premiums are paid
- fixed, level premiums
- guaranteed\* cash values
- may have policy dividends
- best suited to satisfy the longer-term needs of policyowners who desire guarantees\*



### Advantages

- Guaranteed\* lifetime insurance protection, so long as the policy is kept in force.
- Fixed premiums can help create the “savings habit.”
- Cash values are guaranteed\*, so long as the policy is kept in force.
- May have policy dividends that can be used to reduce premiums or increase cash values and death benefits.

### Disadvantages

- No premium flexibility.
- Guaranteed\* cash value growth may be less than could be achieved through one of the other types of permanent life insurance.
- Death benefit may not keep pace with inflation.

\* Guarantee is based on the continued claims-paying ability of the insurer.

## Additional Life Insurance Benefits

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### What Additional Life Insurance Benefits Are Available?

The value and flexibility of life insurance frequently can be enhanced by the addition of other benefits, such as:

#### **Waiver of Premium Benefit**

Often referred to as a “self-completing” feature, the waiver of premium benefit allows premiums on a life insurance policy to be waived if the insured becomes disabled, as defined in the policy. The waiver of premium benefit generally is available for a small extra premium.

#### **Accelerated Death Benefits**

Many life insurance companies make it possible for policyholders to collect all or a portion of a policy’s death benefits early, if the policyholder is terminally ill, stricken with a specified catastrophic illness or requires long-term care. Beginning in 1997, accelerated death benefits are received income tax free.

#### **Accidental Death Benefit**

For a small additional premium, the insurance company will pay an additional death benefit in the event of the insured’s accidental death.

#### **Option to Purchase Additional Insurance**

In return for a small extra premium, the option to purchase additional insurance guarantees\* the right to purchase additional insurance on the insured’s life at specified future dates, regardless of the insured’s health or occupation at that time.

\* Guarantee is based on the continued claims-paying ability of the insurer.

# Cash Value Life Insurance Advantages

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## What Are the Advantages of Cash Value Life Insurance?

### Immediate Death Benefit

During your working years, your family is protected by the life insurance. In the event of your premature death, income-tax-free benefits are paid to your family.

### Tax-Deferred Growth

Under current law, the annual growth of the cash value in a cash value life insurance contract is not subject to current income tax.

### Flexibility

Certain types of cash value life insurance allow you to increase or decrease your premium payments, or make large, one-time deposits.

### Access to Cash Values

You can borrow or withdraw life insurance cash values prior to age 59-1/2 without tax penalty.\*

### Ownership

Since you own the policy, benefits are not affected by changes in employment or by changes in Social Security or employer-provided pensions.

### Disability Protection

If you become disabled, the waiver of premium benefit can take over your premium payments for you.

### Tax-Advantaged Retirement Income

The cash value in cash value life insurance can be converted to a retirement income that is partially or fully free from federal income tax.\*

\* Withdrawals and loans will reduce the policy's death benefit and cash value available for use.

# Why People Buy Life Insurance

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## People Buy Life Insurance:

### ➤ For the Death Benefit:

- To replace earning power at death
- To pay for cash needs that arise at death

### ➤ As a Disciplined Savings Program\*:

- To help pay for educational costs
- To supplement retirement income
- To take advantage of business opportunities
- For financial emergencies

### ➤ Because of the Risk of Waiting:

- Insurability may be impaired or lost
- Premiums are lower now than they will be at a higher age
- To begin building cash values that may be used in the future for collateral

### ➤ For the Tax Advantages:

- Death proceeds are received free of income tax
- Cash value accumulations are tax deferred
- Cash value loans or withdrawals\* are free of tax, as long as the policy stays in force
- Accelerated death benefits are received free of income tax

### ➤ In Recognition of Personal Responsibility to:

- Family
- Banker
- Mortgage company

### ➤ For the Flexibility:

- Benefits may be available regardless of whether the policyowner lives, quits, dies or becomes disabled
- Life insurance is portable; benefits are not lost due to job changes

\* Withdrawals and loans will reduce the policy's death benefit and cash value available for use.

## Do You Still Have Enough Life Insurance?

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### Do You Still Have Enough?

Failing to consider the impact of inflation could result in a gradual erosion of the purchasing power of your life insurance program.

#### Impact of Inflation in 2006 on \$100,000 of Life Insurance

Year Life Insurance Purchased	Average Annual Inflation Rate Since Year Purchased *	Total Insurance Needed in 2006 to Equal the Purchasing Power of \$100,000 of Life Insurance	Additional Life Insurance Needed in 2006 to Maintain Purchasing Power of \$100,000 of Life Insurance
1975	4.4%	\$379,940	\$279,940
1980	3.7%	\$257,186	\$157,186
1985	3.0%	\$186,029	\$86,029
1990	2.8%	\$155,557	\$55,557
1995	2.5%	\$131,209	\$31,209
2000	2.7%	\$117,334	\$17,334

\* Based on the Consumer Price Index - All Urban Consumers (CPI-U) - December to December; Base Period: 1982-84 = 100

No adjustments have been made for changes in financial obligations, loans, income, standard of living, number of dependents, etc. The additional life insurance amounts illustrated above simply restore the original purchasing power of a \$100,000 life insurance program.

# Protecting Your Family Members

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## In Purchasing Life Insurance on Your Family Members:

- You implement a disciplined program for retirement, education and other financial needs that may arise.
- You secure the insurability of your spouse and/or children.
- If cash value life insurance is purchased, you build cash value accumulations available for future financial needs.

## If your spouse or a child dies prematurely, you will have funds for...

- Final expenses: hospital/medical, funeral costs, legal fees.
- Child care and housekeeping assistance.
- Replacement of lost income and continuing asset protection.
- Time away from work.
- Handling major expenses, such as college education.