

Life Insurance

# PLAN FOR A BRIGHT TOMORROW

Term Life Insurance



*Everything Insurance Should Be®*

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## TERM LIFE INSURANCE

### Understanding term life insurance

Term life insurance is perhaps the simplest form of life insurance. As the name implies, it provides protection for a specified “term” or period of time and generally pays a benefit only if you die during that period. Term periods can range from one to 30 years. This is referred to as the guaranteed term period of the policy. During this period, premiums are guaranteed to remain level. If you are still living at the end of the guaranteed term period, protection ceases unless the policy is renewed.

One advantage of term life insurance is that the premium for term life insurance is initially lower than a comparable permanent life insurance policy, such as universal life or whole life. This initial lower premium usually makes term life insurance an ideal choice for individuals with a temporary need for life insurance protection.



While premiums remain level during the initial guaranteed term period, premiums increase every year following the guaranteed term period.

Most term life insurance policies have no cash value making it ideal if you are interested solely in a death benefit. Some newer term plans may offer a return of premium feature.

Return of premium means that base premiums that you paid, excluding rider and substandard premiums, are returned to you at the end of the guaranteed term period as long as the policy is still in force and you are still living.

If your needs change, most term policies do not allow you to increase the coverage; but they do allow you to convert your term policy to a permanent life insurance policy without having to take a medical exam or provide other information about your health.

### When to choose term life insurance

Term life insurance is suitable for many situations:

#### **When you are just starting out or have limited funds**

Term life insurance provides cost effective coverage for a specified period of time. You choose the coverage period that suits your needs for a fraction of the cost of permanent life insurance. Later, that same policy can be converted to a permanent life insurance policy without proof of insurability. This makes it an ideal solution for the individual just starting out in life or young couples on a limited budget.

#### **When you have a temporary need for protection**

Term life insurance can be used as protection when taking a loan for your home or business. For example, purchasing a term life insurance policy for the amount of the loan could assure that the debt is repaid in the event of your untimely death. Homeowners often choose term life insurance to protect their mortgage over the life of the loan. A small business owner may purchase a term life insurance policy to cover the loan taken to expand operations.

#### **When you have education expenses**

Your children’s educational needs increase your family’s needs. You may have already borrowed some or all of this expense. If you died, would your spouse be able to continue paying for these important expenses? Term life insurance could prevent the obligation falling to your spouse.

## When you need to supplement your permanent life insurance

Term life insurance is a great supplement to a permanent life insurance policy. Let's say you need \$200,000 in life insurance coverage but can't afford the premium for a permanent plan of that amount. An affordable alternative may be to purchase a smaller permanent life insurance policy and purchase the excess in a term life insurance policy. That mixture would provide the desired amount of coverage at a premium that fits within your budget. In the future when your income increases, you can convert the term insurance portion into a permanent plan of insurance.

### Ideal for small business owners

Business continuation plans protect your business against the unexpected loss of a key person. With term life insurance as part of your business continuation plan you can:

- cover the loss of a key person
- pay off business loans when a key person or owner dies
- provide funds to redeem stock from a deceased stockholder
- prevent ownership from transferring into the wrong hands
- reassure your creditors that your business will remain a good credit risk

## Determining your coverage needs

Take some time to consider how much coverage you and your family need. Keep in mind any long- and short-term financial needs:

- medical bills or other care expenses incurred prior to your death
- funeral costs and estate taxes
- remaining mortgage balance, unpaid loans and credit card debt
- future costs to maintain your family's lifestyle

Use the worksheet below to help you estimate your life insurance needs. But remember, this worksheet is no substitute for the guidance you can receive by meeting with a qualified life insurance agent.

Calculate your needs		
<b>Immediate cash needs</b>		
1. Final expenses (funeral, medical):	\$	_____
2. Expected administrative costs:		_____
3. College fund (estimate):		_____
4. Emergency fund:		_____
5. Child care costs:		_____
6. Mortgage balance:		_____
7. Charities/Other:		_____
8. Total immediate needs (add lines 1-7):		_____
<b>Ongoing income needs</b>		
9. Current annual household income:	\$	_____
10. Income objective ( _____ % of above):	x	_____ %
11. Projected annual income need:	=	_____
12. Social Security benefits:*		_____
13. Survivor's earned income:		_____
14. Survivor's pension benefits:		_____
15. Other income (if any):		_____
16. Total income sources (add lines 12 to 15):	=	_____
17. Annual income shortage (line 11 minus line 16):		_____
18. Amount of capital required to provide this income (Line 17 divided by assumed interest rate _____ %):	=	_____
<b>Life insurance needs</b>		
Total life insurance needs (line 8 plus line 18):	\$	_____

\* To check on your Social Security benefits, call the Social Security Administration at 800-772-1213 and ask for a "Request for Earnings and Benefit Estimate Statement"; or apply online at [www.ssa.gov](http://www.ssa.gov).

## About Cincinnati Life

The Cincinnati Life Insurance Company stands among the top U.S. life insurers with a high financial strength rating from A.M. Best Co., an independent provider of insurance ratings since 1899. Through one of its predecessor companies, Cincinnati Life has more than a century of experience serving policyholders. A wholly owned subsidiary of The Cincinnati Insurance Company, Cincinnati Life was formed in 1988 when The Life Insurance Company of Cincinnati merged with Inter-Ocean Insurance Company. Please view [cinfin.com](http://cinfin.com) for current information about Cincinnati Life and its financial strength ratings.

For more information, please contact your local independent agent recommending coverage.



Neither The Cincinnati Life Insurance Company nor its affiliates or representatives offer tax or legal advice. Consult with your tax adviser or attorney about your specific situation.

This is not a policy. For a complete statement of the coverages and exclusions, please see the policy contract. All applicants are subject to underwriting approval. Products available in most states.

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