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Pros and Cons of an Universal Life Insurance Policy

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Can you predict your life tragedies and know how your future will be? A wise person is who keeps himself ready for unexpected challenges. You donâ€™t know in which way death is waiting for you. Think deeply and try to give life coverage to your family members so that they will lead their life happily even after your death. They donâ€™t need to depend on somebody for their financial needs. The whole lines force you to plan an insurance policy that provides adequate support to your family and reduces your tax burden.

Life insurance has 2 types: term life insurance and permanent life insurance.

A term life insurance policy is for a relatively shorter period of time and the amount is paid to the nominee after the death of the insured whereas permanent life insurance lasts for as long as you live. In a term policy, if the ensured doesnâ€™t die during the term of the insurance, the policy doesnâ€™t carry forward and it needs renewal. But people who apply for a permanent life insurance have got not only insurance but also build a saving. The premiums in a permanent insurance policy donâ€™t fluctuate but they are higher than term insurance premiums. If you are planning to get a permanent policy, take your time and donâ€™t forget to reference from your friends, relatives and an insurance expert.

It is because there are various subtypes of permanent life insurance and the most popular are whole life insurance, variable life insurance and universal life insurance. Numbers of people love to go with any of these policies. They have minor dissimilarities that need time to understand.

A universal life insurance policy is similar to the whole life insurance policy. The only difference is the insured of a universal life is allowed modifying the saving component as well as insurance premium. Thatâ€™s why it is called as flexible premium adjustable life insurance policy. It is undoubtedly one of the best insurance policies for your familyâ€™s future and well-being. The whopping amount of the insurance is given to the deceased nominees to ensure their future. However, the goal of permanent insurance policy is similar to term insurance policy but there are associated pros and cons related to it.

Pros

Premium & Death Benefit Flexibility

Whereas whole life insurance focuses primarily on securing your family future after your death, universal life insurance provides interest based on the current marketâ€™s interest rates.

It provides enough flexibility to its insured as the premiums are not fixed. You are able to increase and decrease the premium within certain limits but the policy still keeps in force. Also, you are allowed to increase and decrease the death benefit. However, to increase the benefit, you need to undergo additional health exams to acquire additional insurance.

Cash Value Option

To increase your amount, your premiums to universal life insurance invest in the stock market and mutual funds in a hope of higher interest returns.

Death Benefit Options

There are 2 death benefit options and: level death benefit and increasing death benefit. A level death benefit gives fixed amount for your policy whether you increase or decrease coverage. It is good those who donâ€™t want to take risks. Whereas increasing death benefit increases with time.

Withdrawals

In case of emergency, you can take loan from the universal life policy. The withdrawal is based on the total amount of premium you have paid into the policy.

Cons

You know the fluctuation in the stock market which badly affects the amount of your policy if the stock market is not doing well, the case value of the policy will grow and diminish accordingly. You need to increase your premiums in order to save the policyâ€™s cash value. If you donâ€™t increase the value, you will not be able to gain substantial amount.

Itâ€™s good to do adequate insurance market research before you apply for a policy. Comparing permanent insurance quotes and taking guidance from experts are quite essential if you want to secure your family future with a policy. Take your time and then jump to the policy that suites your need.

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