The Basic Facts About Universal Life Insurance Policy

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Known for its flexibility and cash value, a universal life insurance policy has been introduced in the life insurance market sometime in the 1980s. This is a flexible version of the whole life insurance. It is also referred as adjustable life insurance policy and quite different from whole life insurance policy. A universal life insurance is the best investment you can give yourself and your family.

The Benefits of Universal Life Insurance:

Aside from its flexibility, a universal life insurance has a savings feature that is tax-deferred. The company that provides you with a universal life insurance invests a part of the premiums you paid in mortgages, money market funds or bonds. The tax-deferred income generated from this investment is credited to your universal life insurance policy.

Every life insurance policy has guaranteed minimum interest rates applied to it, usually about 4 percent. This means your insurance company guarantees a minimum return on your premium that it invested even if the investment did not perform well. If the investment performed well, the return in the form of interest rate on the accumulated cash values will increase. There are permanent life insurance quotes available online that you can use to compare different insurance products.

Meanwhile, there are two death benefit options that you can choose from. One option allows the payment of death benefit from the cash value of the policy which make this the cheapest among the two options. The second option provides payment of the amount stated in your policy, in addition to accumulated cash value.

Many insurance companies are offering a no-lapse life insurance guarantee provided that the minimum designated premium is paid. This gives you a policy that is in force and valid up to age 100. However, do not expect to accumulate significant cash values if you are only paying the guaranteed minimum premium.

An Overview of Universal Life Insurance Premiums:

Do not confused universal life insurance with whole life insurance. These are two types of permanent life insurance with one having different features from the other. The good thing is, you can access permanent life insurance quotes for these two policies.

With whole life insurance, you are required to pay billed premiums on or before the end of the stated grace period. Failure to do so would put you at risk of a policy lapse. Meanwhile, policy holders of universal life insurance can pay the billed premiums, more or less than the billed premiums or no premium. They also have the option to pay the premium at any other time and the flexibility on the amount to be paid.

The universal life insurance is a flexible and adjustable version of the whole life insurance. Gone are the days when an insurance policy is inflexible when it comes to cash value, death benefit and premiums. However, despite its flexibility, there are still rules covering the premium payments for universal life insurance. Although you may choose the no premium scheme, any payment that you will make should be no less than the minimum amount in order for the insurer to manage the expenses of premium processing and collection.

Normally, the premiums for a universal life insurance are minimum, target and maximum. If you opt

for the minimum premium, payments are made annually and in the amount that is enough to keep the insurance policy in force and valid for another year, but without any cash value accumulation.

The target premium is the amount needed to keep the insurance policy in force and valid all throughout the life of the insured. Meanwhile, a maximum premium allows the insurance policy to retain its life insurance character.

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