

Disability income

- ✓ **Term life:** Pure protection, no cash value, less expensive, premiums rise over time.
- ✓ **Whole life:** Permanent, builds cash value, level premium.
- ✓ **Universal life:** Flexible premiums and death benefit, builds cash value.
- ✓ **Variable life:** Cash value invested in separate accounts; policyholder bears investment risk. Death benefit and cash value fluctuate with performance. Requires securities license; regulated by SEC/FINRA

Beneficiaries

- ✓ **Revocable:** Can be changed anytime.
- ✓ **Irrevocable:** Cannot be changed without consent.
- ✓ **Per Stirpes:** Deceased beneficiary's share goes to their heirs.
- ✓ **Per Capita:** Divided only among surviving named beneficiaries.

Premium factors

- ✓ **Mortality:** The likelihood of death; higher for older individuals, increasing premium costs.
- ✓ **Interest:** Insurer invests premiums to earn interest, which helps reduce the required premium.
- ✓ **Expenses:** Operational costs (commissions, administration, profits) added to the premium.

Policy riders

- ✓ **Waiver of premium:** Waives premiums if the insured becomes disabled and cannot work.
- ✓ **Guaranteed insurability:** Allows purchasing more insurance later, without proof of insurability.
- ✓ **Accidental death benefit:** Extra payment if death is accidental.
- ✓ **Return of cash value:** Pays back the cash value of the policy in addition to the death benefit at death.
- ✓ **Payor benefit:** For juvenile policies; waives premiums if payor dies or becomes disabled.

Policy provisions

- ✓ **Contestability period:** First 2 years; policy can be voided for misrepresentation.
- ✓ **Suicide clause:** Suicide within 2 years refunds premiums only.
- ✓ **Reinstatement:** Restore a lapsed policy (within ~3 years) with back premiums and proof of insurability.
- ✓ **Misstatement of age:** If an insured misstates their age, the policy remains valid, but the face amount will be adjusted based on the correct age.

Group life insurance

- ✓ **Applicants:** Employers, METs, labor unions, creditors.
- ✓ **Issuance:** One master policy; individuals receive certificates.
- ✓ **Underwriting:** No medical exams for most groups; rates based on size, age, and claims.
- ✓ **Cancellation:** Group policies may be canceled by the insurer or policyholder with 31 days' notice.
- ✓ **Participation:** 100% for non-contributory, 75% for contributory.
- ✓ **Conversion:** Members can convert to individual policy within 31 days without proof of insurability.

Annuities

- ✓ **Purpose:** Protects against outliving financial resources, provides guaranteed payments (often for life).
- ✓ **Premiums:** Not tax-deductible but grow tax-deferred.
- ✓ **Purchase:** Can be single premium (immediate) or periodic payments (deferred).
- ✓ **Accumulation:** Flexible contributions, but withdrawals are taxable and subject to 10% penalty (if under 59½).
- ✓ **Annuitization:** Converts the annuity to guaranteed periodic payments; irreversible.
- ✓ **Payout options**
 - **Life Income:** Guaranteed for life, ceases at death.
 - **Period Certain:** Period Certain: Payments for life, but beneficiary continues if annuitant dies early.
 - **Refund:** Payments continue to beneficiary if the total payments are less than the contract value.
 - **Joint Life:** Payments continue until the last annuitant dies.
- ✓ **Taxation:** Payments taxed based on growth portion; no 10% penalty once annuitized
- ✓ **1035 Exchange:** Tax-free transfers allowed between life insurance and annuity contracts (e.g., life → life, life → annuity, annuity → annuity). Not allowed from annuity → life
 - **Life Income:** ERISA governs retirement plans. Life insurance and annuities can work alongside retirement strategies but are not ERISA-qualified unless used in specific employer-sponsored plans.

Tax basics

- ✓ **Premiums:** Not tax-deductible.
- ✓ **Death Benefit:** Usually tax-free to the beneficiary.
- ✓ **Cash Value:** Grows tax-deferred.
- ✓ **Withdrawals:** Taxable above cost basis (premiums).
- ✓ **Non-MEC:** basis withdrawn first.
- ✓ **Policy Loans:** Not taxable if policy stays active.
- ✓ **Dividends:** Not taxable (refund of excess premium).
- ✓ **Modified Endowment Contract MEC:** Fails 7-pay test; taxed like annuity (LIFO + 10% penalty under age 59½).