



Universal Life Insurance and How to Know if it's the Choice for You

Is Universal Life Insurance a Good Option and What You Need to Understand

Universal Life Insurance Definition

Universal life insurance (UL) is a hybrid life insurance policy which combines elements of term life insurance with an investment savings option. Universal life combines the ability to build savings at the same time as providing you a life insurance policy. This allows flexibility in what you can do with the savings or investment portion of the premium. Universal life insurance also contains an element of long-term investment strategy because it required you build the values in the investment portion through part of the amount you pay monthly.

Universal Life Insurance Options: Indexed Universal Life Insurance (IUL) vs UL

The success of a universal life insurance plan depends greatly on the investments in the plan you choose and market performance. In past years, there were concerns with the values in the investment portion of Universal Life Insurance because of unstable markets. As a result, *indexed universal life insurance (IUL)* evolved to address concerns with changing markets and some of the problems faced in the past by those who had purchased universal life in the past few decades. When considering universal life insurance, IUL seems to provide more safety than UL. It would be important to ask your financial planner about these options and see how they fit your needs and long term strategy.

How Does Universal Life Insurance Work?

A portion of the universal life insurance monthly premium is put into the cost of the life policy which will provide the death benefit to your beneficiary and another portion of the premium is invested so it can be used as investment savings.

The concept is that the investment will grow over time and eventually may even be able to pay for the premiums of the life portion of the policy. The advantage in this situation would be that you could pay into for a certain number of years and the investments would eventually start to cover the cost of the premium, then you end up getting life insurance for whole life, yet don't need to keep making those payments.