

Financial **FITNESS**

The Truth About Life Insurance

By Tom Rauchegger, Co-Founder of Cramer & Rauchegger, Inc.

Life Insurance comes in many shapes, colors and sizes. Choosing the right type of life insurance can be very challenging and is almost like the difference between leasing and buying an automobile. Whether you actually need life insurance is also a very critical question and it depends on your personal situation. Life Insurance proceeds pass on to your beneficiary(s)'s income tax free. This tax free benefit can make life insurance a very effective wealth transfer vehicle.

As a married father of two young children and the main source of income, it was my responsibility and intention to protect my wife and kids in case something permanently happened to me over the next 20+ years. I wanted to be sure that life could go on from a financial standpoint and my wife could take care of

the children and provide the proper educational opportunities without worrying about finances. For me life insurance was the best way to accomplish this goal.

There are a number of different types of life insurance available today. This can make finding the best insurance for you and your personal situation very confusing. There are two main categories of life insurance: cash value and term.

Cash value life insurance combines both insurance and savings together. Some examples include whole life and universal life. Some agents recommend cash value policies to clients as a way to invest for retirement – this can be very costly. The actual cost of insurance protection is usually higher with a cash value policy than with a regular term policy. There are marketing and sales commissions to keep in mind along with a potential “surrender charge” that may be levied if you decide to cancel your policy in the first 10 years. There can also be substantial investment fees. In variable life and variable universal life these fees can often be as much as 3.0% or more annually.

Term life insurance on the other hand offers a fixed death benefit that insures you for a fixed period of time such as 10 years, 20 years or 30 years. Once the term expires you no longer have the coverage. If you choose to not pay the premium the insurance just cancels. Term is a lower cost insurance alternative that allows you to protect your family for a period of time and invest the difference that you would have paid into a cash value policy. Protecting your family and knowing that you are passing on a legacy to the people you love can give you both a feeling of assurance and peace of mind. If you are considering a life insurance policy or want to find out the details of your current insurance policy check with a financial advisor that is insurance licensed.

For more information on what type of life insurance might be best for you please feel free to contact us at Cramer & Rauchegger. You can



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Tom Rauchegger (left) & Scott Cramer

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Founded by Orlando natives Scott Cramer and Tom Rauchegger, Cramer and Rauchegger Inc. is an independent advisory firm that specializes in retirement management, estate planning and wealth management for high net worth clients who are close to or currently in retirement.

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