The Great-West Life Assurance Company

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Case study: Universal life insurance

Basic permanent protection for a young family

Meet Ajay and Munira

Ajay and Munira are in their 40s and have three young children. Munira manages a home-staging team for a local realtor and Ajay recently returned to work as a university professor. Their youngest child just started school. Now that they are more established in their careers, Ajay and Munira are ready to re-visit their financial plan, including their life insurance needs.

Financial situation

Ajay and Munira have had term insurance for many years. With childcare expenses now behind them, they have more disposable income. They are looking to convert their existing term plan to permanent insurance in order to meet their longer-term insurance needs. At this point in their lives, they want predictable, guaranteed payments that won't increase. They also want flexibility if their needs change in the future.

Which solution works best?

Based on Ajay and Munira's situation, their financial security advisor recommends a joint first-to-die universal life insurance policy with level payments (cost of insurance) and coverage plus payout.

This solution meets the couple's primary goal to protect their family's lifestyle, and provides lifelong protection that meets their long-term needs. It's also cost-effective, and provides them with flexibility to adapt their policy as their children grow and priorities change.

Here's how their policy works:

- **Level payments –** Ajay and Munira's required payments remain the same over the life of their policy and are guaranteed not to increase, unless premium taxes increase.
- **Coverage plus –** On death, the policy pays out the guaranteed coverage amount **plus** the policy's account value, as long as required payments are made. Over time, the payout can grow if the policy's account value grows (growth is not guaranteed). Conversely, if the account value decreases, due to poor investment returns or a cash withdrawal, the total payout also decreases.
- **Lifetime insurance coverage** – The policy stays active for life, as long as the required payments are made. It covers immediate insurance needs, and can be adapted longer-term to cover future estate needs and potential tax liabilities.

Minimum fund now, with flexibility to change payments later

As Munira and Ajay make the transition from term insurance to permanent insurance, they plan to make the minimum required payments each month.

As their children grow and disposable income increases, universal life insurance gives them the option to:

- Increase payments and grow their account value. Over time, they may have flexibility to reduce or stop payments if the policy's account value grows large enough to pay for the coverage.
- Switch to a limited pay policy and pay it up in 10, 15, or 20 years, instead of paying for life.