



SONS OF  
NORWAY

# ADVISOR

HELPING YOU FIND THE PATH TO A SECURE FINANCIAL FUTURE

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## Achieving Your Goals in the New Year

Happy New Year! I truly hope that the holidays were filled with joy and celebration for your family and loved ones. Now that the New Year has arrived, there is a great and wide horizon of opportunity to look forward to. That said, I hope you are also taking some time to look back and review the year that's gone by. If you take some time to review everything that happened in the past year, both good and bad, I guarantee you'll learn from some very important lessons from your experiences.

For example, when you look back over the past year can you say that your money worked as hard for you as you did for it? Did your investments allow you to accomplish your goals? Did you have a diverse portfolio? Most importantly, did you utilize life insurance as a way to accomplish all of the above? If you did, that's great! You are on your way to a sound financial future. However, if you didn't, then this issue of advisor is just for you because it will teach you how and why life insurance ought to be an integral part of your overall financial plan.

For example, this quarter there is a great article that explains the benefits that permanent life insurance offers over term life insurance. What's more, it also makes some suggestions of products to consider, depending on your current situation, needs and goals.

In addition, this time around we've included a life insurance needs worksheet from the Life and Health Insurance Foundation. Personally, I think this is one of the most important tools you should have at your disposal. Not only does it get you started thinking about the your goals for your financial future, it also helps you determine how much life insurance is needed to achieve them!

Last of all, this issue of the Advisor discusses a topic that I personally feel gets overlooked quite often—purchasing life insurance later in life. Quite often I hear from clients over the age of 60 that “it's too late” to buy life insurance. Nothing could be further from the truth and, depending on your goals, buying life insurance later in life might actually be the best decision for you and your family. Check out the Advisor Answers section to learn how.

As you can see, there's a lot of interesting information in this quarter's issue of the Advisor. I hope you enjoy it and find it to be as valuable as I do. Remember, financial planning and protection is important for everyone, so do not hesitate to share it with friends and family. In closing, I hope you are enjoying the New Year. If there is anything I can do to be of assistance as you plan for the coming year, please contact me at your earliest convenience. I'll be glad to help in any way I can.

Achieving Your Goals in the  
New Year

Understanding Life Insurance

Life Insurance Needs  
Worksheet

Advisor Answers

# Understanding Life Insurance

By Ken Thul, CLU, ChFC, FICF Advanced Financial Consultant

## ***What type is right for me, Term or Permanent?***

This article is the first in a series that will discuss the different types of Life insurance products offered by Sons of Norway.

If you have ever wondered what type of life insurance is right for you, you are not alone. In fact, many people have this same basic question. In order to find the right answer, you need to know that there are basically two types to choose from: term and permanent. Sons of Norway offers both types to its members and they come in the form of our Nordic Term Insurance and three different kinds of permanent insurance, called Nordic Single Premium Whole Life, Nordic Whole Life, and Nordic Elite II Universal Life.

## ***Benefits of Permanent Insurance***

The benefits of a permanent type of life insurance are that, unlike term insurance, it provides lifelong protection and also has the ability to accumulate cash value on a tax-deferred basis. Even better, you can borrow against your policy by using this cash value as collateral. Since the borrowing rates tend to be relatively low, it often makes sense to use your cash value when you need a down payment on a home, want to help pay for your children's education or provide income for your retirement. It's important to note, though, that you ultimately must repay any loan with interest or your beneficiaries will receive a reduced death benefit and cash-surrender value.

In addition, if you need or want to stop paying premiums, you can use the cash value to continue your current insurance protection for a specified time or to provide a lesser amount of death benefit. Last, but not least, if you decide to surrender your policy the guaranteed policy values are yours.

Another valuable benefit of a Whole Life policy is the opportunity to earn dividends. Dividends are a way for the company to share part of its favorable results with policyholders. When you purchase a dividend paying policy, it is expected that you will receive dividends after the second policy year – but they are not guaranteed. Dividends, if left in the policy, can provide an offset (and more) to the eroding effects of inflation on your coverage amount. These can be used to add to the death benefit and cash value growth of your policy or they may be taken in cash.



## ***Which Permanent Policy is Best for Me?***

Now that you know about the benefits of a permanent life insurance policy, you may be wondering which of the Sons of Norway products fits your needs best. The best thing to do is to meet with your Financial Benefits Counselor and discuss your life insurance goals and needs. In the mean time, consider the following:

If you're the kind of person who prefers long-term predictability and is looking for guaranteed death benefits and cash values, they you might want to consider one of Sons of Norway's Whole Life products. First, there's the Nordic whole Life product, which has a guaranteed level premium that will never increase and will remain in force for as long as you continue to pay your premiums. Or, if you'd rather set up a policy with a one-time premium, the Nordic Single Premium Whole Life product might be a better choice because you pay once at the beginning of the policy and it is then guaranteed paid up for the rest of your life.

# Life Insurance Needs Worksheet

This worksheet can help you get a general sense of how much life insurance you need to protect your family. Before buying any insurance products, you should consult with a qualified insurance professional for a more thorough analysis of your needs. This worksheet assumes you died today.

## Income

### 1. Total annual income your family would need if you died today.

What your family needs, before taxes, to maintain its current standard of living (Typically between 60% - 75% of total income)

\$ \_\_\_\_\_

### 2. Annual income your family would receive from other sources.

For example, spouse's earnings or a fixed pension. (Do not include income earned on your assets, as it is addressed later in the calculation)

\$ \_\_\_\_\_

### 3. Income to be replaced.

Subtract line 2 from line 1

\$ \_\_\_\_\_

## 4. CAPITAL NEEDED FOR INCOME.

Multiply line 3 by appropriate factor in Table A. Factor \_\_\_\_\_

\$ \_\_\_\_\_

## EXPENSES

### 5. Funeral and other final expenses.

Typically the greater of \$15,000 or 4% of your estate

\$ \_\_\_\_\_

### 6. Mortgage and other outstanding debts.

Include mortgage balance, credit card balance, car loans, etc.

\$ \_\_\_\_\_

### 7. Capital needed for college. (2007-2008 average 4-year cost: Private \$146,210; Public \$61,499 )

	Estimated 4-Year Cost	Appropriate Factor in Table B (at left)	NPV	
Child 1	_____ X _____	= _____	_____	+ ] → \$ _____
Child 2	_____ X _____	= _____	_____	
Child 3	_____ X _____	= _____	_____	

## 8. Total capital required Add items 4, 5, 6 and 7

\$ \_\_\_\_\_

## ASSETS

### 9. Savings and investments

Bank accounts, money market accounts, CDs, stocks, bonds, mutual funds, annuities, etc.

\$ \_\_\_\_\_

### 10. Retirement savings

IRAs, 401(k)s, SEP plans, SIMPLE IRA plans, Keoghs, pension and profit sharing plans)

\$ \_\_\_\_\_

### 11. Present amount of life insurance

Including group insurance as well as insurance purchased on your own

\$ \_\_\_\_\_

## 12. Total income producing assets Add lines 9, 10 and 11

\$ \_\_\_\_\_

## 13. LIFE INSURANCE NEEDED

Subtract line 12 from line 8

\$ \_\_\_\_\_

1 Social Security benefits, which may be available, have not been factored into this calculation.

2 Trends in College Pricing, 2007, The College Board. Costs reflect total charges, which includes tuition, fees, room and board.

3 Distributions from most retirement savings plans are subject to ordinary income tax rates.

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Table A

Years Income Needed	Factor
10	8.8
15	12.4
20	15.4
25	18.1
30	20.4
35	22.4
40	24.1

Table B

Years Before College	Factor
5	.95
10	.91
20	.86
25	.82

Note: These tables help you determine Net Present Value (NPV), the amount of capital required today to satisfy future income or college cost needs, given an assumed investment return of 6%, inflation of 3% for living costs and 5% for college costs.



**Q:** A member from Long Island asked this question. "I am 75 years old. Why do I need life insurance, or why would I purchase more than I already have?"

**A:** That's a very good question; one which I am frequently asked.

My first thought is, if you haven't done so recently, talk to your Financial Benefits Counselor about completing a complimentary financial review. Doing so will determine whether you own an adequate amount or need more life insurance to take care of your family.

My second thought is that many people have a desire to pass on a financial legacy to their children, but rarely, if ever, consider Life Insurance an option to do so. In fact, in purchasing additional life insurance you'll be able pass on more dollars to your children than you would with the other products. This is because money from life insurance passes on to your children income tax free, unlike CD's, annuities, or mutual funds.

Also, if you need to regain money lost in the stock market, life insurance can make up the difference between what you had and what your family would need to manage financially in your absence.

Finally, how about replacing your Social Security? It's the classic problem of what can happen to the financial needs of the survivor when they lose one-third to one-half of their income. It becomes a reality for survivors who find, at the most vulnerable time of their lives, that they are suddenly forced to give up their income although their expenses are not reduced.

I hope these have given you some food for thought.

Please contact your Financial Benefits Counselor for more details on these thoughts.

*Advisor* is provided by your Sons of Norway Financial Benefits Counselor as an additional service to you.

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