THE LIFE INSURANCE CONTRACT

Life insurance is similar to any other insurance policy. It is purchased to assist in securing an obligation. Whether the obligation is business or personal, the amount of coverage and the length of coverage time becomes a subjective point of view. This summary can be a guide to the different types of policies available, the advantages and disadvantages of these policies, and hopefully help address some of the more frequently asked questions. The three most important questions regarding life insurance are:

1. How much life insurance do I need?
2. How long do I need the coverage?
3. What type of policy will fulfill my needs?

The answers to these questions will affect the ultimate premium for a particular type of coverage. The insurance amount, the length of time the premium is level, the age of the insured, and their health status, will all determine the final rates.

✧TERM LIFE INSURANCE

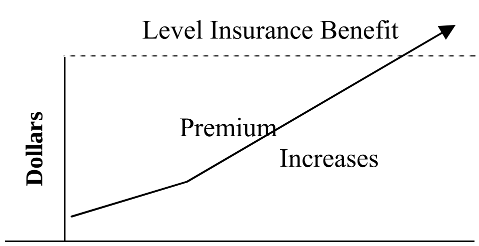
Term life insurance, as the name indicates, provides life insurance for a limited period of time. Other types of policies, such as whole life, universal life or variable life are considered to be permanent insurance and are designed to provide protection for the entire life of the insured.

While the term policy is in effect, the insured has protection against loss of life. At the end of the period covered by the policy, there is no refund of premium paid.

Term insurance thus provides only pure insurance protection and does not have the cash value feature typically found in most permanent life insurance policies. Term coverage offers an inexpensive way to provide substantial coverage for a limited period of time. When the length of the rate guarantee expires, the insurance company can then require that you be examined by a physician, and will then offer a new rate based on your current health and age. The risk lies in the fact that if you become unhealthy, the premiums will become extremely expensive. The contracts are usually renewable to age 100, but it is recommended, based on the information above, that you assess in advance the time frame for which you need the coverage, and purchase the rate guarantee accordingly.

There are two types of term insurance:

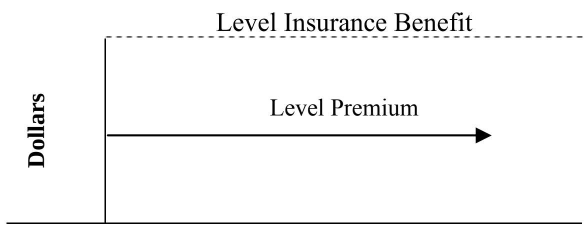
Annual Renewable



Term insurance characterized by a level death benefit, a premium that increases at each annual policy renewal, and no cash-value accumulation.

Level Premium Term

◘ *10 Yr* ◘ *15 Yr* ◘ *20 Yr* ◘ *30 Yr*



The annual premiums are fixed for a specified period of time, typically 5,10,15,20 or 30 years. The death benefit remains constant and there are no accumulated cash values.

✧PERMANENT LIFE INSURANCE

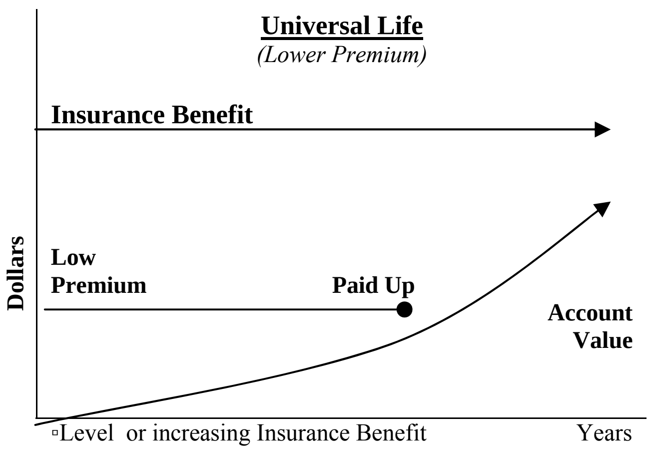
As opposed to term insurance, two basic types of permanent life insurance policies are designed for lifetime coverage. Since the probability of the policy paying out the death benefit is much greater than term, these policies are more expensive. The premium collected each year over the term insurance rates accumulate into the cash value account. Once premiums are discontinued by the insured, the cash value is used to keep the policy in force over the insured lifetime. This concept is similar to pre-paying a mortgage – less expense than term insurance in the long run. The two most popular permanent policies are:

Universal Life Insurance

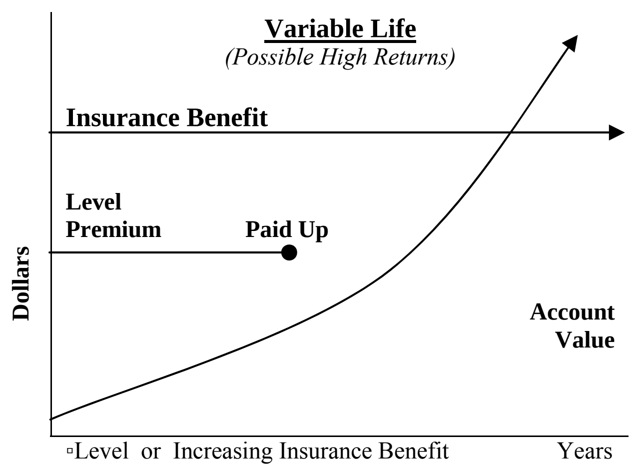
This provides a death benefit that can be either level or increasing. The premium can be paid over any number of years; with shorter pay periods come higher premiums. The universal life policy provides a fixed interest rate that is adjustable each year based on current market rates. Most policies have a guaranteed minimum rate between 3% - 4%. The cost of the term insurance that the policy charges can be increased if mortality costs increase. Illustrations will provide details of the estimated current rates, charges, and the maximum guaranteed charges.

Variable Life Insurance

The internal workings of these policies are similar to universal life. In addition to the fixed interest rate account, most policies offer multiple mutual funds in which to invest your cash value. These policies are generally more expensive than universal life, caused by the administration cost of all the investment options. These contracts are designed for policies with larger premium and death benefits.



- ▫Level or increasing Insurance Benefit
- ▫Low Level Premium
- ▫Increasing Account Value
- ▫Adjustable yearly interest rate option



- ▫Level or Increasing Insurance Benefit
- ▫Level Premium (Flexible)
- ▫Mutual Fund Account Value (Variable)

✧DETERMINING INSURANCE AMOUNTS

There are three basic approaches to determining the amount of life insurance to purchase. These approaches are simple guidelines.

To Cover a Specific Debt

To pay off a specified amount of an obligation such as the value of a business, mortgage, loans, line of credit or a business buy-out amongst partners or officers.

To Cover Specific Needs

A capital needs analysis can help determine the necessary insurance. The calculation sheet enclosed will assist you in determining your personal needs.

For Income Replacement

With this approach an insured will determine how many years they would want their family to continue receiving payments equivalent to all or part of the current income the insured earns. The lump sum of the death benefit is invested, and an assumed interest rate earned. A portion of the principal and interest is then paid out annually to the beneficiaries. When using this approach one needs to determine the years to be covered based on either the current age of dependent children or the year remaining of a particular debt, or some other obligation.

✧PERSONAL EVALUATION

Based on an individual's personal preference and their risk tolerance, one of these types of policies will suit their needs. Used singularly, either term and permanent policies have their advantages as well as their drawbacks. Many times however, purchasing multiple policies for one's coverage can offer an attractive solution. Purchasing a large portion of coverage from a low cost term insurance policy can help keep current premiums low while providing the most coverage for the money. At the same time, purchasing a permanent policy with a smaller face amount and an affordable, comfortable premium, will offer the long term security of having lifetime coverage. Many people ask how much insurance they need; the rule of thumb is to insure for 7 times your annual income. That amount of insurance invested at 6% would replace your income for approximately 12 years. These amounts however, depend on the individual, and can be discussed and decided upon with the assistance of the broker.

Capital Benefits

2247 San Diego Ave. ▫ Ste. 132 ▫ San Diego, CA 92110 ▫ (619) 681-1910 ▫ Email: jdoran@Capitalbenefits.biz
CA License #0780342 ▫ Securities offered through Securities America, Inc. Member NASD/SIPC
Jeremiah J. Doran III CLU, ChFC Registered Representative
Capital Benefits and Securities America, Inc. are independent firms

How Much Life Insurance?

Capital Needs Analysis			
1.	**Annual Living Expenses** of survivors (*spouse, children, etc.*) Consider 70% of current family living expenses. *(This factors in the potential reduction of expenses applicable to the insured.)*		$_______________
2. a. b. c. d.	**Less Expected Annual Benefits-Income** Social Security Benefits Pension Benefits Survivor's Earned Income Other Income **Total Expected Annual Benefits**	$_______________ $_______________ $_______________ $_______________ $_______________	$_______________
3.	**Net Living Expense Shortage** *(line 1 minus line 2)*		$_______________
4.	**Amount of Capital Required** to produce living expense shortage Inflation-adjusted rate of return *(line 3 divided by projected rate of return on invested capital. Consider using a conservative return rate to adjust for inflation.)*	______________%	
5.	**Plus Lump Sum Expenses** Final expenses and/or estate costs		$_______________
6.	**Total Capital Required**		$_______________
7.	**Less Present Capital** Present life insurance		$_______________
8.	**Amount of Capital to be Added** If any. *(line 6 minus line 7)*		$_______________

Complete the analysis then give us a cal at 619-681-1910.
We'll review your options and then run a quote for you.