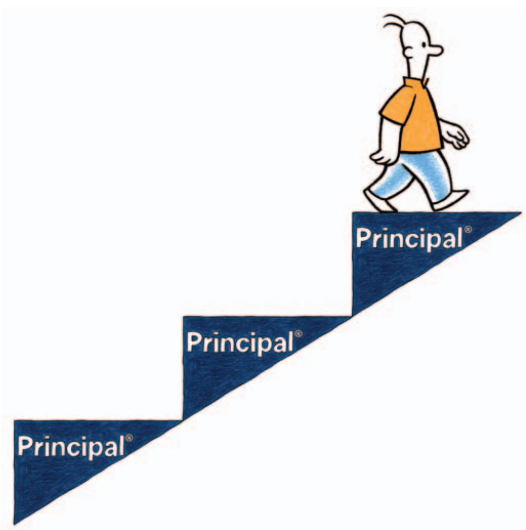
FOR INDIVIDUALS

A Step-by-Step Guide to Life Insurance

From Here to Security℠



Everyone is looking for an edge.

You want to buy that dream house. You want to put the kids through college. You just want to make ends meet. To put it simply, you want financial security.

You work hard to get that edge – for you and your family both today and tomorrow. We know it isn't simple. The road to financial security is long and full of challenges, opportunities and surprises.

That's why we created this book! It's based on the ideas and experiences of our financial representatives across America, not to mention more than 125 years of service to business owners, employees and their families.

It's designed to simplify and demystify the rules of the road to greater financial security. Along the way, we'll help you discover how to make your personal insurance strategies more affordable – to help give you that edge you're looking for.

Enjoy the journey!

Contents

Myth #1

I can do it myself

Truth is, it nearly always makes sense to work with a financial representative.

Here's why.

- Financial representatives are trained to help you assess your insurance needs, your overall financial situation, your tolerance for risk and the type (or types) of insurance that would be most appropriate for your unique situation.
- He or she will help you understand the complexities of insurance policies and riders – and will be available to answer your questions on an ongoing basis.
- A financial representative may be a catalyst in the planning process – bringing together your other advisors, such as your attorney, accountant and trust officer – then helping form a coordinated planning team.
- He or she will complete the forms necessary to start the underwriting process – and will arrange for any follow-up tests or exams that may be required. Then he or she will follow up with the underwriters to facilitate the process.
- When the policy is issued, your financial representative will usually deliver it in person, explain the coverage and answer any questions you might have.
- He or she will continue to review your changing needs and will be available to help with any service needs that may arise over time.
- In the event of your death or disability, your financial representative will be a great resource to your family – helping to ensure that benefits are paid in a timely manner.

Understand the need

The time to address financial security is now!

Help smooth the road to financial security by making educated choices.

Recent years have hurt more than helped the financial security of most Americans and their families. Savings are low. Personal spending continues to rise, hand in glove with consumer debt. Significant amounts of money were lost in past markets, yet many people still fail to diversify. Huge numbers of eligible employees do not participate in 401(k) plans. (And many of those who participate fail to contribute enough.)

It's as though we're all waiting for a white knight or some kind of miracle to magically save us in our retirement years. But the fact is, the only white knights we can depend on are ourselves. And the only miracles we can count on are those that result from careful planning and follow through. Clearly, when it comes to financial security, we are our own best friends – or our own worst enemies. *The choice, for better or worse, is always ours.*

Take a moment, now, to think about your personal financial situation.

Are you saving enough for retirement? Would your family be able to financially survive without your income? If the answer to either of these questions is "no," you're not alone. The fact is, fewer and fewer Americans are setting aside enough money to achieve their financial objectives – let alone protect what they already have.

The good news is that you can take control of your personal financial situation – starting now! This booklet has been designed to help. In the following chapters, you'll learn how you can affordably improve your financial security, one step at a time!

> 71 percent of American employees live from paycheck to paycheck.
>
> *— American Payroll Association, "Getting Paid in America" Survey, 2008*

RESOURCE Try our easy-to-use insurance need calculator. Visit *www.principal.com/lifesecure.*

Getting married?

Get ready for dramatic changes in your financial life, too! In addition to combining their incomes, the Givens sold one house, remodeled and moved into the other, drafted their first wills, and began laying the foundation for their new family's financial future. Selling one home resulted in savings of $1,100 per month (mortgage, taxes, utilities and insurance). The Givens budgeted a portion of this money for their insurance program, an additional portion goes to their 401(k) accounts and the remainder goes into a savings account they call their "Annual Honeymoon Fund."

If you're a baby boomer, there's still time to take action!

The first baby boomer hits 65 in 2011. And in the next 20 years, the population of Americans over age 65 could be more than double what it is today. Considering that the number of pension plans (non-union) declined sharply from 112,208 in 1985 to 28,769 in 2005[1] – and that according to a 2003 report, baby boomers as a group are saving less than a third of what they need for retirement[2] – we could be heading for real problems.

If you're a baby boomer, take heart. There's time to take action and make the decisions necessary to help improve your family's financial security. If nothing else, you should make sure you're taking advantage of all the opportunities available to you.

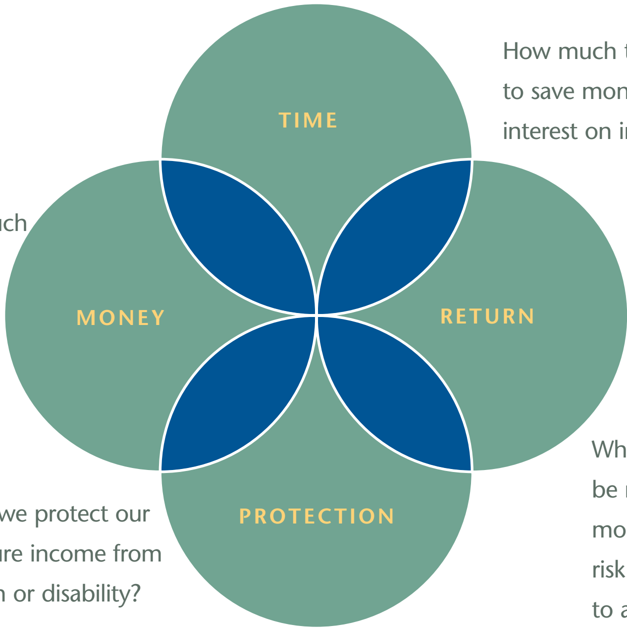
Are you neglecting your insurance needs?

Immediately following September 11, new applications for life insurance rose, and many people increased their existing life insurance coverage. But now the issue of insurance is fading from the minds of the American public. People are once again neglecting their protection needs. The vast majority of Americans are choosing, consciously or unconsciously, to remain underinsured – which is too bad. If they only knew that there are simple, affordable life insurance solutions to just about every potential need (which is where your financial representative comes in).

[1] Source: EBRI, The Decline in Eligible Traditional Pension Plan Participants, FFE #41, February 1, 2007

[2] Source: "Baby Boomers' Retirement Prospects: An Overview," Congressional Budget Office, November 2003

Four factors affect our ability to achieve greater financial independence



How much time is available to save money and earn interest on interest?

How much can be saved?

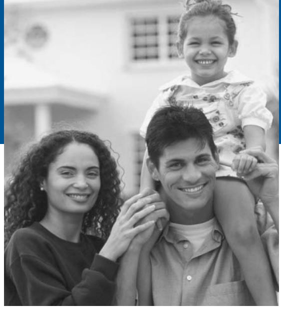
What return can be made on our money and what risk are we willing to accept?

How well can we protect our assets and future income from untimely death or disability?

> Needs (and strategies) can be very different from one family to the next.

Now, meet three typical families – The Youngs, the Seniors and the Up-and-Comers. Each family is at a different stage in life. They have different needs, different incomes, different goals and different opportunities. Yet each family can benefit now by working closely with their financial representative – and by making educated decisions about their current and future financial security.

RESOURCE Try our easy-to-use insurance need calculator. Visit *www.principal.com/lifesecure.*



Meet the Youngs!

We're a new family (and we're just getting by).
We can't afford to get started.

The Youngs might be surprised to discover how little they need to set aside each month to help achieve and protect their long-term financial goals. For example, Mr. Young, at age 25 and in excellent health, could purchase a $100,000 universal life policy for as little as $53 a month and (at current interest rates and charges) could have more than $50,000 of cash accumulation at age 65.[1] The secret is simply to get started, then stick with it. Premium rates for life insurance are significantly lower when purchased at younger ages. Later, as their income grows, the Youngs may be able to purchase additional protection.

Contrary to popular belief, the Youngs shouldn't have to give up something to create a monthly investment fund. Quite often, extra cash can be created simply by reviewing and improving personal money management habits. Are they paying too much for their mortgage or their home and auto insurance? Are they paying the lowest possible rate on their credit cards? Do they take advantage of coupons? Think about it. How much extra money could you create, each month, if you simply became ruthless about getting the best deals?

What about making small sacrifices? Many people save by keeping their home a couple of degrees cooler in winter, or warmer in the summer. Others review their grocery receipts once a month to see what they bought that they didn't need – or use. Think about how much you'd save if you cut your grocery expenses by 10 percent each month. How much could you save on gas, insurance and loan payments if you downsized your car? What if a part-time job netted an extra $400 or $500 a month to protect what you have and invest in your future? What then?

There are endless possibilities.

[1] Based on current rates and charges for a Principal Universal Life Flex[SM] policy for a 25-year-old male rated Super-Preferred. For specific information, please contact your financial representative.

Meet the Up-and-Comers!

**The kids are growing fast (and so are our careers).
How should we deal with our changing lives and objectives?**

As your family and careers grow, so should your plan for greater financial security. Ask yourself the following questions.

- Are you taking full advantage of your benefits at work?
- Are you setting aside a portion of your growing income to fund personal savings, investments and insurance?
- As you buy larger homes, accumulate greater assets and dream bigger dreams, are you taking steps to help protect your family and assets should you or your spouse die?
- Are the policies you bought years ago still adequate? Use the kids' preschool and grade school years to build your financial security foundation. Ask your financial representative how to blend different types of life insurance policies to create affordable base levels of protection.

As children grow older (and you begin to enter your peak earning years), the thoughts of most parents turn to empty-nesting and retirement. The need for insurance protection often levels off and may actually begin to decline. The closer you get to retirement, the more accurately you can forecast your specific income needs and opportunities. It's the best time to fine-tune your strategy for personal financial success.

> Almost half of workers (42 percent) indicated they are a little behind in planning and saving for retirement and 26 percent indicated they are a lot behind schedule.
>
> *— The Principal Financial Well-Being Index℠, Second Quarter 2009*

RESOURCE Try our easy-to-use insurance need calculator. Visit *www.principal.com/lifesecure.*

Meet the Seniors!

We're close to retirement (but haven't saved enough). What should we do now?

First, make sure you've considered all your potential sources of retirement income – including Social Security, your pension and savings, IRA and 401(k) plan. What about life insurance cash values? If you purchased a permanent life insurance policy years ago, you may have accumulated a significant amount of cash value that can be used in retirement. You may be closer to your financial goal than you think. Would it make sense to sell your home and buy a smaller one? Or rent? Then use the proceeds from your home sale to create long-term income?

Next, consider ways to save more. Like the Young family, can you find wasted money in your monthly expenditures that can be turned into investment dollars? Are you willing to make small sacrifices to save additional dollars?

You can also consider delaying your retirement by a few years, which would provide the extra time you need to potentially accumulate the necessary funds. This approach would also reduce the amount of savings needed, since you would be reducing the number of years you would receive the retirement income. Or you can decide to live on less and reduce your income needs accordingly. The choice is always yours.

Life insurance needs do not necessarily disappear—or even diminish—as we get older. Many seniors find that they still need life insurance for things such as charitable gifts, spousal income, estate planning, final expenses or pension replacement.

> Nearly three in five new middle-class retirees can expect to outlive their financial assets if they try to maintain their pre-retirement standard of living.
>
> *— July 2008 Ernst & Young study, "Retirement Vulnerability of New Retirees"*

Myth #2

Insurance is too expensive

According to LIMRA "Trillion Dollar Baby" (2005), 74 percent of the households surveyed that believe they need more life insurance, say they can't afford it.

In fact, a healthy 35-year-old male may be able to buy $250,000 of 20-year term life insurance coverage for less than $17 a month! And for just over $117 a month, he may be able to purchase a guaranteed death benefit for his lifetime.[1]

Workable, personalized insurance and financial solutions are available to suit nearly every need and budget. That's why it makes sense to work with a financial representative who can tailor a program to satisfy your unique situation and objectives.

For many people, the secret is to start small, then stick with it. Through the years, as needs change and your income grows, you can add coverages and refine your strategy for achieving greater financial security.

> The wallet talks – middle-market households spend only one percent of their budget on life insurance.
>
> *— May 2009 LIMRA article, "Is There Magic In the Middle Market?"*

[1] Based on current rates and charges for a Principal Universal Life Protector[SM] policy for a 35-year-old male non-smoker rated Super-Preferred. For specific information, please contact your financial representative.

Protect your spouse and heirs: Understanding life insurance

This chapter helps unravel the mystery of life insurance and will help you identify the specific types of life insurance that may work best for you. It also includes an easy-to-use calculator tool for determining how much life insurance you may need.

Life insurance is a core component of most families' financial plans. It provides a degree of financial protection against the certainty of death and can help survivors achieve specific financial objectives. Life insurance death benefits are usually income tax-free and can be used to complete a retirement plan, generate lifetime income, pay off the mortgage, and provide funds for childcare, college educations and more. Life insurance policies that accumulate cash value can often provide tax-advantaged money to help meet retirement or emergency cash needs.

Term life insurance: Budget-based coverage for a specific "term" of time

If the need for life insurance is limited to a specific period of time – or if the need is large and the ability to pay is relatively low – term life insurance may be an appropriate solution.

- Provides protection for a specific term (typically one, five, 10, 20 or 30 years);
- Produces a death benefit that is generally free from income taxes;
- Is often renewable after the policy term without evidence of insurability (which can be a good thing because of the odds of health issues increasing with age), though with higher premiums due;
- Usually costs less than permanent insurance in the short-term (though premiums rise at each renewal);
- Can usually be converted to permanent insurance with the same company during part of the life of the policy. Some conversion privileges only allow conversion to a specific policy with the same company. Look for a policy that allows conversion to any cash value policy at the time of conversion.

> Ninety-three percent of adult Americans said life insurance was important; 60 percent said it was extremely important.
>
> *— Life and Health Insurance Foundation for Education (LIFE) Survey, August 2008*

Changing jobs?

That means your benefits are changing too! Make sure you understand your new benefits package and how it fits with your personal strategy for achieving financial security. And if possible, take advantage of every opportunity for employer matching contributions. If you're getting a raise, consider using a portion of the increase to fund additional life and disability income protection for you and your family.

Term insurance is frequently used to cover consumer debt or mortgage balances, or survivor income (in the event of the death of a breadwinner). Premiums are based in part on the age of insured individuals, which is why costs increase as policy owners grow older. In return for a higher premium, certain term policies lock in rates for a specific duration (i.e., 20 years).

Permanent life insurance: Long-term coverage, plus cash value

Permanent life insurance may be an appropriate solution for people seeking long-term financial protection.

- Provides protection for a lifetime (so long as premiums are paid);
- Produces a death benefit that is generally free from income taxes;
- Creates tax-deferred "cash value" that you may access in a tax-advantaged manner, when needed – either through loans or surrenders;[1]
- Cash values can be converted to an annuity to provide a stream of income you cannot outlive;
- Often includes guarantees that the premium will never increase – and the death benefit will never decrease – over the life of the policy.

For policies with the same death benefit, you'll usually pay a higher initial premium for a permanent life policy than for term life. But a portion of the permanent life premium will be used to build the policy's cash value, which may hold down future out-of-pocket costs.

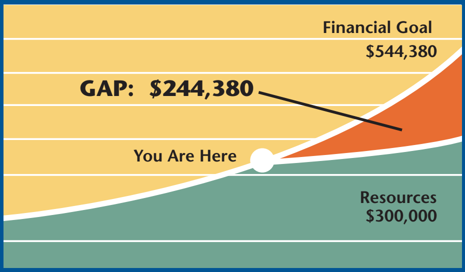
[1] Distributions may be tax-free if partial surrenders are taken until they equal total premiums paid. Policy loans may generally be taken for subsequent distributions. Distributions may reduce the death benefit and may be subject to applicable interest and transaction charges. Other issues, such as modified endowment contract rules could affect the taxation of distributions. You should consult with your tax advisor for specific information.

According to the second quarter 2009 Well-Being Index, one out of five people (21 percent) will depend on life insurance benefits from a personal life insurance policy to pay for expenses if something were to happen to them or their spouse.

— The Principal Financial Well-Being Index℠, Second Quarter 2009, Table 27

PROTECT YOUR FINANCIAL GOALS

If you die, your family not only loses your income, they may have to spend down your retirement savings just to get by. Life insurance can help replace the gap between your current resources and your financial goal.



To calculate your insurance gap, use the worksheet on page 22 or visit our easy-to-use insurance need calculator at *www.principal.com/lifesecure.*

Graph based on $107,143 annual income replaced at 70 percent for 25 years, $154,380 total cash needs, $390,000 total income needs and $300,000 current resources.

Different types of permanent (cash value) life insurance

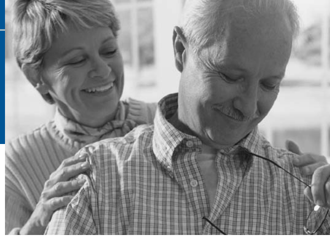
There are probably as many variations on permanent life insurance as there are companies that sell it, although policies typically fall within the following three categories.

Whole (Ordinary) Life Insurance is the oldest form of permanent life insurance. It provides a fixed level premium and a fixed level death benefit for life (in some cases, to age 100). The policy's guaranteed cash value typically grows at a rate that will enable it to equal the death benefit at age 100. Some companies offer "participating" policies in which a portion of the premium is returned to the client as a dividend. Dividends are not guaranteed and are paid at the discretion of the insurance company.

Universal Life Insurance is a concept that delivers flexible premiums and death benefits. Usually, it includes a cash value account which accumulates at a floating rate of interest, with a minimum rate guarantee. The cash value may then be used to help pay for the cost of insurance, riders and other policy expenses. While some universal life policies focus on providing guaranteed death benefits, some other policies also focus on accumulating cash values.

Variable Universal Life Insurance combines the flexibility of universal life with the performance of investment accounts. Since variable policies are performance-based, they may outperform or underperform a traditional whole life or universal life policy. Both the premium and the death benefit are flexible. The net premium is directed to investment accounts, with potential growth in cash value and death benefits tied to the accounts' performance.

RESOURCE Try our easy-to-use insurance need calculator. Visit *www.principal.com/lifesecure.*



Emptying the nest?

It's an exciting time. But it's also a scary time. Because on the bottom line, it's not just the kids who are leaving the nest. It's mom and dad too. Now's the time to take advantage of a lifetime's worth of equity and fine-tune your strategy for achieving financial security. It's a great time to visit with your financial representative and take inventory of your investments, retirement funds, insurance policies and accumulated cash value. You may be closer to retirement than you think!

Frequently asked questions about life insurance

Q. Does it make sense to buy both term insurance and permanent insurance?

A. While many people debate whether to purchase term or permanent insurance, it may be a wise strategy to purchase both. It can be expensive (and often financially impossible) to satisfy a person's entire insurance need with permanent insurance. That's why a combination approach is often considered. Buying some term insurance makes it possible to meet the total insurance need now. Plus, the term insurance can often be converted to permanent insurance with the same company at a future date – without going through underwriting at the time of conversion.

The combination strategy also makes sense for young families, especially if additional children are planned. By supplementing the purchase of a permanent policy with term insurance, they can assure their future insurability – and avoid the old insurance lament: "Those who need it most often can't qualify to purchase coverage." Buying convertible term insurance during healthy, younger years helps avoid this uncomfortable situation. And with term insurance priced most efficiently at young ages, it's a sound financial decision, too.

Q. What factors impact the cash value of my policy?

A. Insurance policy cash values are impacted by the insurance company investments that back your policy, as well as mortality and expenses.

Universal Life Insurance policies are fixed-interest rate policies. In exchange for a guaranteed interest rate, the insurance company reserves the right to invest policy premiums in conservative fixed-interest investments such as bonds. In addition to the guaranteed interest rate, universal life policies also have a current interest rate that may be higher than the guaranteed rate.

Frequently asked questions about life insurance (cont.)

Variable Universal Life Insurance may be an answer for policyowners who can tolerate more risk and who seek control over the allocation of their premium dollars. In exchange for the opportunity for higher returns, the policyowner reserves the right to allocate premiums into a variety of investment choices with varying levels of risk. The range of alternatives includes small, medium and large company stocks, passive and active management styles, and domestic and global investment approaches. Other common investment divisions inside of variable universal life products include fixed income investments such as bonds and even guaranteed interest accounts.

Q. Can I use my cash value?

A. The cash value that accumulates inside a permanent life insurance policy can be accessed in three ways.

Loans are typically free from current income tax, even if they exceed the premiums paid or cost basis in the policy. Outstanding loans are deducted from the death benefit upon the death of the insured or, if the policy is later surrendered, the unpaid loan amount is deducted from the cash value. Interest is charged on the loan and may either be paid or accrued to the loan. Look for a policy that helps minimize costs with a contractually reducing net loan rate after a given number of years.

Partial surrenders from universal life policies reduce the death benefit, dollar for dollar. They are usually income tax-free, unless they exceed the premiums paid or cost basis. This is one of the potential benefits of life insurance, yet not many people are aware of it.

Full surrender means taking the entire remaining cash value from a policy and ending the policy. It will trigger an income tax obligation for any portion of the cash value that exceeds premiums paid. The unpaid balances of any loans will be forgiven at the time of surrender, but will be added to the surrender value when calculating the tax on the proceeds.

Withdrawals (or loans) from policies called "modified endowment contracts" can incur taxes and early withdrawal penalties. Be sure to consult with your financial representative and your tax advisor about the tax benefits and liabilities of any insurance policy.

Q. How is the death benefit paid?

A. Death benefit settlement options may be selected either by the owner (prior to death) or the beneficiary (after death). Options typically include:

- Lump sum, where the death benefit is distributed to the beneficiary in one payment;

RESOURCE Try our easy-to-use insurance need calculator. Visit *www.principal.com/lifesecure.*

Having a baby?

This changes everything! Or at least it did for the Martins. David took on a second job so Stacey could be a stay-at-home mom for the first few years. That made everything a little tighter. But David could still afford to buy additional life insurance for his growing family's protection as well as personal disability income insurance, since his paychecks were even more important than before. Since David was in his late 20s at the time, both the life and disability income insurance were surprisingly affordable.

- Income options, where the death benefit is kept by the insurance company and an income is paid to the beneficiary for life (or for some other stated period of time); or
- A continued interest account, where the death benefit is held by the insurance company in an interest-bearing account, which can be accessed by the beneficiary upon demand.

Q. What is underwriting all about?

A. Underwriting enables insurance companies to charge rates commensurate with the risk of insuring specific individuals. As part of this process, you may be asked questions or required to undergo medical tests or exams. Underwriting time can vary from a few days to a few weeks, depending on the complexity of the case and the time it takes to get information from third parties, such as your doctor.

Q. How are the costs of life insurance calculated?

A. The cost of a life insurance policy is generally based on three factors: mortality, expenses and riders. Mortality is the calculated likelihood that the insured will die, largely based on age, gender, health, occupation and hobbies. Expenses include the cost of operating the issuing company and administering the policy. Riders added to the base policy may require additional premium.

Forty-four percent of all U.S. households (48 million people) either don't own life insurance and believe they should, or own life insurance and believe they need more. Among those who already own some life insurance, 40 percent believe they don't have enough.

— LIMRA 2006 Fact Sheet

Understanding life insurance riders

When you buy a life insurance policy, you will probably have the opportunity to select one or more “riders” to add to the policy. Riders are amendments that expand or restrict a policy’s benefits. Selecting or foregoing riders will affect the cost of the policy. Hundreds of riders may be available, but the five most common ones are these:

Waiver of Premium means that if you become disabled, policy premiums will be paid for you. With flexible premium policies, this rider may be modified to waive either a specified premium or the costs in the policy, such as policy fees or costs of insurance. There is usually a six-month waiting period before this benefit takes effect.

Accidental Death and Dismemberment pays an additional benefit (often equal to the face amount of the base policy and commonly called “double indemnity”) for death resulting from an accident or for a specific injury such as the loss of both legs or both arms, or blindness in both eyes.

Accelerated Death Benefit enables the insured to receive a specific percentage of the death benefit (typically up to 75 percent of the maximum face amount less some expenses) prior to death. Usually, there must be written proof of a doctor’s assessment that the insured has less than a certain period of time to live – generally, less than one year. The payment is treated as a death benefit and is income tax-free to the insured/owner.

Secondary Guarantees guarantee that insurance coverage will stay in force to a given age – even if the cash value falls to zero, so long as a specific, cumulative premium has been paid.

Extended Maturity is a relatively new concept. Traditionally, life insurance policies pay the death benefit when the insured reaches a "maturity age" (usually 95 to 100). But because people are now living longer, many policies have this rider, which extends the death benefit until the insured's actual death. Look for an extended maturity rider that waives all cost of insurance and policy charges at maturity. Also look for one that extends the death benefit, not just a percentage of the cash value.

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Single again?

It can be difficult to lose a spouse, either through death or divorce. But there is no more important time to make a complete review of your financial situation, short-term goals, insurance policies, savings and investments. Contact your financial representative and ask for a From Here to Security Review℠. It will provide you with information you can use to make better-informed financial decisions.

Life insurance as an investment?

While the primary purpose of life insurance is its death benefit and no life insurance product should be purchased solely as an investment, variable universal life can offer unique potential advantages for accumulating money within a life insurance product – potential advantages that may not be found in many other forms of alternative investments.

- Values in the separate accounts have the potential to grow tax-deferred.
- Values can be transferred among accounts without triggering a taxable event.
- In some policies, the original premium or funding can be dollar-cost-averaged (purchasing the same dollar amount of shares of an investment each period) into the separate accounts over a fixed period of time, while earning a competitive rate of interest in the short term.[1]
- Premiums paid over time enable policy owners to dollar-cost-average.[1]
- Automatic asset reallocation, if available, regularly reallocates accumulated cash value into the separate accounts according to your predetermined formula based on your personal risk tolerance.
- Most policies enable policy owners to diversify among asset classes and investment styles.
- Under the right circumstances, in addition to providing a death benefit, variable universal life policies can provide a tax-advantaged way to supplement retirement income.

[1] Dollar-cost-averaging does not assure a profit or protect against loss in declining markets. It involves continuous investing in securities regardless of fluctuating price levels. The policyowner should consider his or her financial ability to continue investing through long periods of low price levels.

Life insurance and taxes

The tax advantages of life insurance can be significant and should be discussed carefully with your tax advisor. But in most cases:

- The death benefit is income tax-free;
- Cash value grows tax-deferred;
- Cash withdrawals are made on a "first-in, first-out" basis – meaning the first dollars out are considered recovery of paid premium and are not taxable; and
- Loans taken against cash value are not taxable as income as long as the policy does not lapse.[1] Some policies offer provisions that help minimize tax consequences in the event a loaned policy lapses.

[1] Policy loans may generally be taken for subsequent distributions. Distributions may reduce the death benefit and may be subject to applicable interest and transaction charges. Other issues, such as modified endowment contract rules could affect the taxation of distributions. You should consult with your tax advisor for specific information.

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Buying a new home?

Home ownership is a core component of most families' financial security. That's why it's so important to build a budget for financial protection into your new home's purchase. When the Morrisons bought their dream home in 1994, they also purchased disability income insurance and life insurance (with disability waiver of premium) specifically to help cover the mortgage if anything should happen to one of them. When Wes suffered a stroke in 1998, their insurance strategy paid off – for nearly two years – until he was able to return to work full-time. They were never in danger of losing their dream.

How much life insurance do you need?

Answer the following questions to help determine your current need for life insurance. To help guide you through the process, sample answers are provided in the second column. Remember that your insurance coverage solution can be adjusted up or down to satisfy your personal needs and budget.

CASH NEEDS	Yours	Sample
Debts/Estate Settlement	$__________	$122,500

Include your home mortgage, home equity loans, car loans, credit card balances, charge accounts, fees to settle your estate (figure 1-3 percent of your estate's value), burial expenses ($7,323 is average, which excludes cemetary plot, monument or flowers[1]) and miscellaneous expenses. Consider adding three to six months' of emergency income for your survivors. *Note: Life insurance can help your survivors become debt-free. It can also cover your final expenses and provide emergency funds for your heirs.*

College Needs

If you would like to provide for your children's college education, please enter an appropriate amount in today's dollars for each child. *Note: Total costs (including tuition, fees, room and board) average $34,132/year for a four-year private college and $14,333/year for an in-state student attending a four-year public university.*[2]

Child A $________ x Table A________ = $________

Child B $________ x Table A________ = $________

Child C $________ x Table A________ = $________

Child D $________ x Table A________ = $ ________

Table A

Years Before College	Factor
5	.82
10	.68
15	.56
20	.46

	Yours	Sample
Capital Needed for College	$__________	$26,880[3]
Other Needs	$__________	$5,000

Do you want to set aside money to care for a special-needs child or an elderly parent? Do you want to leave some money to charity?

	Yours	Sample
Total Cash Needs	(A) $__________	$154,380

(including debts, college capital and other needs)

[1] National Association of Funeral Directors, General Price List Survey, 2007

[2] The College Board, Published Tuition, Fees, Room and Board Charges, 2008-2009 School Year

FOR MORE INFORMATION

Visit ***www.principal.com/lifesecure*** to use a self-completing version of this calculator and explore additional possibilities – including separate solutions for getting started, satisfying priority needs and achieving financial security.

	Yours	Sample
INCOME NEEDS		
Annual Income . . . . How much annual income will your survivors need? Typically, 65-70 percent of previous income is required.	$________	$75,000
Income Available . . . . How much income will your survivors have? Consider your spouse's income, Social Security benefits for your spouse and children, employer pension benefits and other sources of income.	$________	$50,000
Income to Be Replaced . . . . Subtract "Income Available" from "Annual Income"	$________	$25,000
Total Income Needs	(B) $________	$390,000[3]

Multiply "Income to Be Replaced" by the appropriate factor from the "Years Income Needed" Table B. (Sample = $25,000 x 15.6)

Table B

Years Income Needed	Factor
10	**8.1**
15	**11.1**
20	**13.6**
25	**15.6**
30	**17.3**
35	**18.7**
40	**20.0**

	Yours	Sample
RESOURCES AVAILABLE		
Current Available Assets. . . . . Include the current value of stocks, bonds, 401(k) plan assets, mutual funds, savings accounts and other assets.	$________	$50,000
Current Life Insurance Coverage Group $________ + Personal $________ = ... Total	$________	$250,000
Total Resources Available.	(C) $________	$300,000
LIFE INSURANCE GAP		
Add "Total Cash Needs" and "Total Income Needs," then subtract "Total Resources Available."	(A+B-C) $________	$244,380

[3] Sample assumptions: Based on $107,143 annual income replaced at 70 percent for 25 years and $48,000 college costs for a 3-year-old child for four years at a public university.

What's your earnings potential?

Consider the potential of all the income you'll earn between now and age 65.

Potential Earnings to Age 65
(with 5 percent annual salary increases)

ANNUAL INCOME	$50,000
Age 30	$4,516,000
Age 35	$3,322,000
Age 40	$2,386,000
Age 45	$1,653,000

ANNUAL INCOME	$100,000
Age 30	$9,032,000
Age 35	$6,644,000
Age 40	$4,773,000
Age 45	$3,307,000

ANNUAL INCOME	$150,000
Age 30	$13,548,000
Age 35	$9,996,000
Age 40	$7,159,000
Age 45	$4,960,000

What type of life insurance do you need?

Now that you know how much life insurance you need, the next question is "What is the most appropriate type of life insurance to buy?" While there are many factors involved in this decision, for most people it comes down to three key issues:

- The duration of your need;
- Your personal risk tolerance; and
- How large a premium you're willing to commit in order to achieve your goals.

The decision tree on the next page has been designed to help you begin to determine the type of insurance that may be appropriate for your particular set of needs. Since one policy can be dramatically different than another – even within the same category of life insurance – you should work with a financial representative to create a life insurance solution tailored to your specific needs.

Duration of Need. Think about how long you'll have a need for life insurance. For instance, how long will you be caring for your children? How many years remain on your mortgage? For many people, the need for life insurance is lifelong – to pay for the funeral, to leave a legacy or to help pay for estate taxes.

RESOURCE Try our easy-to-use insurance need calculator. Visit *www.principal.com/lifesecure.*

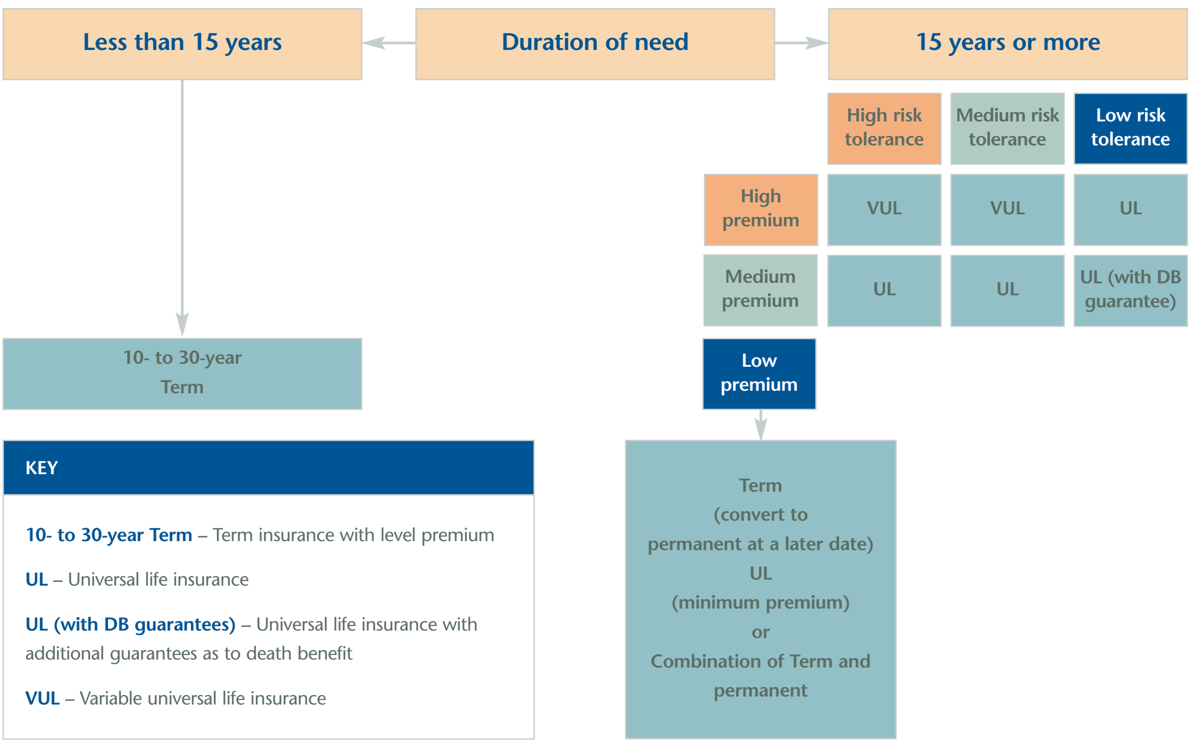
Risk Tolerance. With permanent life insurance, you may accumulate cash value. How your cash value is invested should reflect your personal tolerance for risk. With term insurance, there are different risks. Will you want to convert the policy to permanent insurance later? Will you be healthy enough to requalify for coverage in five years, ten years or more?

Premium Commitment. Value and price are not always the same. Consider how long you need the insurance and the features that are truly important to you before you factor in how much you can afford.

Life insurance decision tree

Use this chart to help determine what type of insurance is right for you. It's important to consult with your financial representative to explore the features and benefits of any life insurance solution.

Decision tree



What now?

1. Collect all the documents related to your financial plan and insurance protection and store them in a safe place (like a safe deposit box).

2. If you haven't already done so, you should contact your attorney and draw up a will.

3. Establish a regular schedule for reviewing your plan, your investments and your financial protection strategy with your financial representative. After all, the only thing constant in life is change!

The Principal Financial Group® can help you through this process with our From Here to Security Review.

Review your plan regularly

Change is the one great constant in life. That's why it's so important to regularly review your objectives, your plan and your financial protection strategy – at least once a year. Did your job or income change? Do you have a new hobby that's changing your view of retirement? Did you get married or have a baby? Did someone in your family die? Did you win the lottery?

Now that you've taken the time to create a plan for greater financial security, you need to make sure your plan, as well as the protections you've put in place, remain in line with your changing goals and your changing life.

Pick a day that you'll remember.

Pick a day – each year – to trigger a call to your financial representative to set up an appointment. It could be your birthday, your anniversary, a child's birthday, April 15th – any date that you will easily remember. Take a moment, now, to mark that date on the calendar. You can also ask your financial representative to call you every year on that date.

Don't wait! Some things demand immediate attention.

Whenever a major life-changing event occurs, you should contact your financial representative for a review.

- Marriage or divorce
- Birth or adoption of a child
- Children graduating from college or leaving home
- Inheritance or other windfall
- Major increase in debt, including the purchase of a new home
- Paying off the mortgage
- New job or promotion
- Death of a spouse
- Changing a beneficiary

What your review may discover

1. **You're well protected.** Your life insurance program is working as planned. There have been no major changes since the last review.
2. **You're spending more than necessary.** Because interest rates and financial markets fluctuate, you may be able to purchase additional coverage without increasing your premiums. Or you might be able to receive your current coverage for a lower premium.
3. **Your situation has changed** and your coverage can be adjusted to reflect the change. For example, some life insurance policies allow you to increase coverage at predetermined times or in the event of a life-changing event, such as marriage or childbirth.

   3a. You don't need as much insurance as before.

   3b. Your coverage is not enough to secure your changing objectives.

Your financial representative can help you through this process with a From Here to Security Review.

For more than a century, associates of The Principal® have worked to help people better understand their changing financial protection needs. All of our experience has been consolidated into a program called the From Here to Security Review. The program is designed to help you reevaluate your current needs, your life circumstances and your goals. And it enables you to work closely with your financial representative to explore potential changes and additions to your overall financial protection plan.

FOR MORE INFORMATION

For more information about any of the issues discussed in this booklet, contact your financial representative or visit ***www.principal.com/lifesecure***.

Glossary of insurance terms

Accelerated Benefits
Benefits available in some life insurance policies prior to death. All or part of the death benefit is accelerated to help pay the costs of long-term care or terminal illness.

Accidental Death Benefit
A provision added to a life insurance policy for payment of an additional benefit if death is caused by an accident. This provision is often referred to as “double indemnity.”

Accumulated Value
The cash value of a policy at any given time. Percentage policy charges, surrender charges and credited interest would be based on this value.

Age Limits
Most policies have limits on the age of the insured. Most have maximum issue ages. Some have minimum ages. And some have a combination of maximum and minimum issue ages.

Age Nearest Birthday
A way of calculating the age of the insured – using six months before or six months after the actual date of birth to determine age.

Agent
An authorized representative of an insurance company who sells and services insurance policies.

Annuity
A financial product that allows a person to save for the future on a tax-deferred basis and then allows the person to choose a payout option that best meets the need for income when the person retires. Payment options include a lump sum, income for life, or income for a certain period of time.

Application
A series of questions that give the insurer the information necessary to effectively assess the risk. By signing the application, the proposed insured certifies the accuracy of the information. The application becomes a part of the policy at issue and may be used to determine the validity of a claim in the case of misrepresentation or misstatement of fact.

Assignment
A policy or a portion of a policy’s benefits (and/or cash value in the case of life insurance), and/or a death benefit may be assigned to a third party who can demonstrate insurable interest.

Automatic Premium Loan
A provision in a life insurance policy that any premium not paid by the end of the grace period (usually 30 or 31 days) will be paid automatically by a policy loan if there is sufficient cash value.

Beneficiary
The person or financial entity (for instance, a trust) named in a life insurance policy as the recipient of policy proceeds in the event of the insured's death.

Business Life Insurance
A policy that has been purchased to solve a potential business problem, such as funding a buy-sell agreement, insuring a key employee or providing nonqualified retirement benefits.

Buy-Sell Agreement
An agreement between business owners, which details how the business will be transferred in the event of the death or disability of one or more owners. Buy-sell agreements are often funded with life insurance and disability buy-out insurance to ensure that money is available to complete the transaction in the case of a triggering event. Buy-sell agreements are typically either cross-purchase (where owners buy policies on each other) or entity purchase (where the business purchases the policies and would generally use the proceeds to retire the stock of the owner who suffered the triggering event).

Cash Value
Also known as the cash surrender, this is the amount available in cash upon surrender of a permanent life insurance policy before it becomes payable upon death or maturity.

Certified Financial Planner (CFP®)
A professional credential awarded by CFP Board of Standards for successfully completing a curriculum of insurance and financial planning concepts.

Chartered Financial Consultant (ChFC®)
A professional designation for successfully completing a curriculum of insurance and financial planning concepts through the American College.

Chartered Life Underwriter (CLU®)
A professional designation for successfully completing a curriculum of life insurance-related concepts through the American College.

Children's Rider
A rider on a parent's policy that covers any and all children born to or adopted by the insured.

COLI (Corporate-Owned Life Insurance)
Policies owned by corporations to insure their key people and fund deferred compensation plans.

Collateral Assignment
See "Assignment"

Conversion Privilege
A provision, generally in a term life insurance policy, guaranteeing the insured's right to convert the policy to a permanent policy at the same insurability rating within a specified time limit.

Glossary of insurance terms

Cost Basis
The accumulated premiums paid for a cash-value life insurance policy. The cost basis can generally be surrendered tax-free and is recognized as the first money to come out of the policy. In the event the policy was a modified endowment contract (MEC), the cost-basis would be the last money to come out of the policy.

Cost of Living Rider
Also called "Cost of Living Adjustment Rider" – can be added to a policy to help benefits keep pace with inflation, when the insured is disabled and receiving disability benefits for more than a year.

Cost Recovery
Permanent life insurance allows the ability to surrender cash values – up to the amount of premiums paid – income tax-free.

Credit Life Insurance
Life insurance underwritten to pay off a specific loan balance, with the borrower as the insured and the creditor as beneficiary.

Death Benefit
The amount of money payable to the beneficiary as a result of the death of the insured. The death benefit is the policy amount plus any accumulated dividends or cash value, less any surrenders and outstanding loans against the cash value.

Decreasing Term Insurance
Term insurance with a fixed premium and a death benefit that decreases at a stated rate over the course of the policy period.

Deferred Annuity
A contract that defers the annuitization of the premium (and accumulations, if any) to some time in the future. The deferred annuity cash accumulation grows on a tax-deferred basis and may be passed to a named beneficiary without being subject to probate.

Defined Benefit Plan
A type of retirement plan that defines the retirement benefit an employee will receive. Benefits may be based on an employee's pay, years of service or both, and are usually expressed as an annuity. The annual employer contribution is the amount needed to fund for future benefits and is determined by an actuary. Employer contributions are invested as a pool of funds to meet benefit payment obligations. The benefit is guaranteed by the Pension Benefit Guaranty Corporation.

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Defined Contribution Plan
A type of retirement plan that provides an individual account for each participant. Benefits are based solely on the value of that account. Each account balance reflects contributions and investment return. Contributions to the plan may be made by the employer and/or the employees. The participant assumes the investment risk. The account value available to provide benefits at retirement is not guaranteed.

Dividend
In life insurance, an amount of money returned to the owner of a participating policy. The money is a partial refund of the premium paid. It results from actual mortality, interest and expenses that were more favorable than expected when the premiums were set. Dividends are not guaranteed.

Dollar Cost Averaging
The method of purchasing securities by investing a fixed amount of money at set intervals. When the price is up, you buy fewer shares. When the price is down, you buy more shares. It is usually advised to make the purchases on the same day of each period.

Endowment Insurance
A type of permanent or cash value life insurance where the cash value equals the death benefit at a given age (often 65). At that time, the policy is completed or "endowed."

Estate Planning
Generally, a process using life insurance in a trust to provide money to pay estate taxes and costs. The process is also used by business owners to plan their eventual departure from the business.

Estate Taxes
Taxes levied against the estate of the deceased.

Evidence of Insurability
A requirement for potential insureds to provide proof of medical, occupational and financial insurability before purchasing an individual life or disability income insurance policy.

Extended Term Insurance
A non-forfeiture provision in a life insurance policy which provides that the cash value be used to purchase term insurance on the insured for the stipulated policy death benefit for as long as the cash value will pay the contractual premiums.

Face Amount
The amount stated on the face of a life insurance policy that will be paid in the case of death or policy maturity. It does not include dividend additions, or additional amounts payable under accidental death or other special provisions.

Glossary of insurance terms

Fiduciary

The definition of fiduciary and the responsibilities of a fiduciary are outlined in Title I of the Employee Retirement Income Security Act of 1974 (ERISA). For qualified retirement plans, a fiduciary is someone who:

- Exercises discretionary power or control of plan funds,
- Renders investment advice for a fee or other compensation, or
- Has discretionary authority over the operation or administration of the plan.

Any person who performs any of the three duties listed above will be considered a fiduciary even if he or she is not the named fiduciary under the plan. Fiduciaries must put the interests of the plan participants or beneficiaries ahead of their own. This means a fiduciary must discharge his or her duties with respect to a plan and its participants. Fiduciaries can be held liable for any breach in their responsibilities and may be required to restore losses incurred by the plan due to the breach.

Fixed Annuity

An annuity contract in which the premiums you pay are invested in the general assets of the life insurance company, and the company guarantees a fixed payout every month.

Flexible Premium Deferred Annuity

An annuity contract that permits varying the amount and frequency of premium payments from year to year for payouts that will occur in the future.

401(k) Plan

An employer-sponsored retirement savings plan that allows employee contributions to be made on a before-tax basis.

403(b) Plan

A nonqualified retirement savings plan similar to a 401(k) plan for employees of charitable, educational and governmental organizations.

Grace Period

A period (usually 30 or 31 days) following each insurance premium due date, other than the first due date, during which an overdue premium may be paid. All provisions of the policy remain in force throughout this period.

Guaranteed Interest Contract

A contract offered by insurance companies that guarantees a rate of return on assets for a fixed period, and payment of principal and accumulated interest at the end of the period.

Guaranteed Renewable Policy

A policy in which coverage is guaranteed to a specified age as long as premiums are paid. The premium could be changed by an insurer for a certain class of individuals.

Guideline Premium
IRS Code 7702 stipulates the maximum premium that can be paid – either in a lump sum or on an ongoing basis – for a given amount of death benefit at a given age. The guideline premium cannot be violated or the policy will no longer qualify as life insurance according to the code.

Immediate Annuity
A contract in which annuity payouts begin immediately or within one year.

Incontestable Clause
A clause that generally allows the insurance company to contest the payment of a benefit for up to two years from issue for misstatements in the application. Fraud and misrepresentation are generally not protected by an incontestable clause and may be contested even after the two-year period has expired.

Insured
The person on whose life an insurance policy is issued.

Irrevocable Trust
A trust in which the ability to change any provisions rests with an independent trustee – not with the trust grantor. This concept is often used in estate planning in order to move or leverage assets outside the grantor's estate. Typically, the favored asset held in the trust is a life insurance policy on the life or lives of the grantor(s).

Joint and Survivor Annuity
An annuity where payouts are made as long as a person lives, and after death, to a designated beneficiary as long as he or she lives.

Key Person Life Insurance
Life insurance, generally owned by and payable to a business, covering the life of an employee whose death would cause financial hardship to the business.

Lapsed Policy
An insurance policy terminated at the end of the grace period because of nonpayment of premiums. Most term policies will automatically lapse after attainment of a certain age. (Also nonforfeiture value.)

Level Premium
A premium that is guaranteed not to increase for a stipulated period of time.

Life Expectancy
The age at which, statistically, 50 percent of the people at a given current age will be dead.

Life Insurance
Insurance that pays a stipulated benefit upon proof of the death of the insured.

Limited Payment Life Insurance
A concept where excess premiums are made in the early years of a cash value life insurance policy, using growth in the policy to pay premiums in later years. This concept may or may not offer guarantees, depending on the policy provisions and level of funding.

Glossary of insurance terms

Long-Term Care Insurance
An insurance policy that provides benefits to cover nursing home care and/or assisted living expenses if a person is unable to care for himself or herself because of a chronic illness, disability, or cognitive impairment, such as Alzheimer's disease.

Long-Term Disability (LTD) Insurance
Group disability coverage provided by an employer for employees, which typically provides benefits for two years or longer.

Minimum Premium
In life insurance, a contractual minimum declared by the insurer to put the policy in force.

Modified Endowment Contract (MEC)
A life insurance contract that satisfies the present-law definition of a life insurance contract but fails to satisfy the modified endowment "seven-pay" premium limits. The death benefit from a modified endowment will still be generally income tax-free, but lifetime distributions are taxed as gain-out-first (LIFO), rather than basis first (FIFO). Additional transactions are included as distributions subject to taxation such as loans, capitalized loan interest and collateral assignments. An additional 10% tax penalty may apply if the taxpayer is under age 59½. A modified endowment contract is generally not desirable if the intent is to receive lifetime distributions.

Mortality Table
The tables used by life insurance underwriters to determine the life expectancy of a given insured.

NAIC
The National Association of Insurance Commissioners. An association of the various state insurance commissioners, who collaborate to codify certain insurance laws and regulations.

Non-Cancelable and Guaranteed Renewable Policy
A policy that cannot be changed or canceled except for nonpayment of premiums – nor can the policy premiums be increased before age 65, regardless of changes in income, occupation or health.

Nonforfeiture Provision
Provision that guarantees there will be no loss of the cash value in a permanent life insurance policy for nonpayment of premium. Nonforfeiture provisions generally include cash surrender, extended term insurance or reduced paid-up insurance.

Nonforfeiture Value
The value of a life insurance policy if it is cancelled, either in cash or in another form of insurance.

Paid-Up Insurance
A life insurance policy that will accept no further premiums.

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Paid-Up Additional Insurance
A dividend option available in many whole life policies that uses the annual dividend to purchase paid-up insurance at the attained age of the insured. The paid-up insurance is added to the stipulated death benefit of the base policy.

Participating Life Insurance
A policy that gives the insured the opportunity to participate in dividends which may be declared annually by the issuing company.

Permanent Life Insurance
Life insurance designed to provide lifelong financial protection. As long as the person pays the necessary premiums, the death benefit will be paid. Most permanent policies have a feature known as cash value that builds up, tax-deferred, over the life of the policy and can be used to help fund financial goals, such as retirement or education expenses.

Policy
The printed document issued to the policy owner by a company stating the terms of the insurance coverage.

Policy Illustration
A policy illustration shows how your life or disability insurance policy will work. It generally illustrates both guaranteed and non-guaranteed premiums, benefits and other information about the policy into the future.

Policy Loan
The amount that can be borrowed under a life insurance policy at a specified rate of interest from the issuing company by the policyowner, who uses the value of the policy as collateral for the loan. In the event the policyowner dies with the debt partially or fully unpaid, the insurance company deducts the amount borrowed, plus any accumulated interest, from the amount payable to beneficiaries.

Premium
The payment, or one of regular periodic payments, that a policy owner makes to own an insurance policy.

Qualified Plan (Tax-Qualified Plan)
An employee retirement benefit plan that meets Internal Revenue Code requirements. Employer contributions to such plans are immediately deductible by the employer, and contributions to and earnings in such plans are not included in the employee's or beneficiary's income until actually distributed to that recipient.

Glossary of insurance terms

Rated Policy
A policy that has been issued with additional premiums as the result of unfavorable underwriting characteristics of the insured. For example, the proposed insured may have a medical condition not serious enough to decline the policy, but it creates additional risk for the insurer.

Reduced Paid-Up Insurance
A nonforfeiture provision in a whole life or endowment policy providing for a paid-up policy with a reduced face amount, based on cash value at the time premiums are no longer paid and the age of the insured.

Re-entry Term
A term policy providing for renewal at a certain point in time, if the insured provided the insurer with satisfactory evidence of insurability.

Reinstatement
The restoration of a lapsed insurance policy. The company requires evidence of insurability and payment of past-due premiums plus interest for life insurance policies.

Rider
An amendment to an insurance policy that modifies the policy by expanding or restricting its benefits or excluding certain conditions from coverage.

Roth IRA
An individual retirement account (IRA) in which earnings on contributions are not taxed, as long as the contributions have been in the account for five years, and the account holder is at least age 59½, disabled or deceased. Contributions to a Roth IRA are not tax-deductible.

Second-to-Die Insurance
Also known as "Survivorship Life" or "Joint Life" – a policy covering two lives, where the death benefit is payable on the death of the second life. This concept is commonly used in estate planning, where the first spouse to die leaves his or her estate to the surviving spouse, using the unlimited marital estate tax deduction. The death benefit would be triggered upon the death of the second spouse, when the estate would become taxable.

Settlement Options
One of several ways, other than immediate payment in a lump sum, in which the insured or beneficiary may choose to have insurance policy proceeds paid.

Social Security
A federal program that provides retirement, disability and survivor benefits to qualified individuals.

Standard Risk
A category of risk that meets the underwriter's definition of standard or favorable risk.

Straight Life Annuity
An annuity whose periodic payouts stop only when the annuitant dies.

Substandard Rating
See "Rated Policy"

Suicide Clause
A clause common to life insurance policies that provides the insurer is not required to pay the death benefit if the insured commits suicide within a stipulated period of time, usually two years.

Surrender Charge
A charge that may be assessed against the accumulated values of a policy if full or partial surrender is made.

Survivorship Life Insurance
See "Second-to-Die Insurance"

Tax-Deferred Annuities
See "Deferred Annuities"

Term Insurance
Life insurance that covers the insured for a certain period of time, known as the term. The policy pays death benefits only if the insured dies during the term.

Term Rider
A rider on a permanent or term life insurance policy that covers the insured or another party with term insurance.

Traditional IRA
An individual retirement account set up by an individual to provide retirement income that allows contributions to be deducted from income and permits earnings on contributions to accumulate tax-deferred until retirement.

Underwriting
The process of classifying applicants for insurance by identifying characteristics such as age, gender, health, occupation and hobbies. People with similar characteristics are grouped together and are charged a premium based on the group's level of risk.

Universal Life Insurance
A type of permanent life insurance that allows the insured, after the initial payment, to pay premiums at any time, in virtually any amount, subject to certain minimums and maximums. This policy also permits the insured to reduce or increase the death benefit more easily than under a traditional whole life policy. To increase a death benefit, the insurance company usually requires a person to furnish satisfactory evidence of insurability.

Glossary of insurance terms

Variable Annuity

A contract in which the premiums paid are invested in subaccount divisions that invest in shares of an underlying mutual fund offered by the insurance company, including bond and stock funds. The selection of subaccounts should depend on the level of risk a person wants to assume. The subaccount value reflects the performance of the underlying mutual funds in which the annuitant decides to invest as well as any additional subaccount fees. Over the long term, variable annuities invested in equities generally reflect the growth and performance of the economy and can help serve as a hedge against inflation.

Variable or Variable Universal Life

A type of permanent insurance with death benefits and cash values that vary with the performance of Separate Account Divisions, which invest in a corresponding mutual fund. A person allocates premiums among a variety of subaccount divisions offering different degrees of risk and reward, including stocks, bonds, combinations of both, or subaccounts that guarantee interest and principal.

Vesting

The right of an employee to all or a portion of the benefits he or she has accrued, even if employment terminates. Employee contributions, as in a 401(k) plan, are always fully vested. Employer contributions vest according to a schedule defined by the plan and are usually based on years of service.

Waiver of Premium

Waiver of Premium means if the insured become disabled, policy premiums will be paid. With flexible premium policies, the rider may be modified to either waive a specified premium or waive the costs in the policy like policy fees, costs of insurance, etc. Usually there is a six-month waiting period for this benefit to take effect.

Whole Life Insurance

A common type of permanent life insurance. With this type of policy, premiums generally remain constant over the life of the policy and must be paid periodically in the amount specified in the policy.

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