

Needs Analysis Pamphlet

Multi-State Edition

Your employer has asked us to provide you with some information on the voluntary life insurance programs that they have available. When buying life insurance, you want the coverage that fits your needs and is affordable. There is a simple calculation exercise at the end of this pamphlet to help you decide the amount of coverage you may need. You should review this pamphlet prior to attending the scheduled benefit enrollment meeting.

WHY DO I NEED TO BUY ADDITIONAL LIFE INSURANCE?

Life insurance is typically needed and purchased at pivotal points in your life. Research shows that almost everyone will have a need for life insurance normally triggered by major life events, such as marriage***, the purchase of a home, or the birth of a child.

- * **Marriage***:** A life insurance policy can be purchased to replace the income of the breadwinner in the event of his or her death to help the surviving spouse** maintain his or her standard of living. A policy can also be purchased to help cover the costs arising from the death of a homemaker (for example, the cost of child care or a nanny) in the event of the death of one parent.
- * **Home Purchase:** A life insurance policy can also be purchased specifically to pay off a mortgage balance should either one of the homeowners die before the mortgage is paid off.
- * **Birth of a Child:** A life insurance policy can be purchased by a parent to help ensure that in the case of his or her death, funds will be available to provide for the child's (or children's) basic needs and costs of higher education.

WHAT IS THE RIGHT KIND?

All life insurance policies agree to pay an amount of money when you die. But all policies are not the same. Some provide permanent* coverage and others temporary coverage. Some build up cash values and others do not. Some policies combine different kinds of insurance, and others let you change from one kind of insurance to another.

Your choice should be based on your needs and what you can afford.

In using the term "permanent", it is important to note that coverage could lapse prior to the maturity date based on the planned periodic premiums, guaranteed interest rate, and guaranteed cost of insurance charges.

The following is a brief description of three basic kinds of life insurance—Term Life, Whole Life, and Universal Life—and some information on combinations and variations. You can get detailed information from an insurance or financial planning professional or insurance company.

Term Life Insurance covers you for a term of one or more years. It pays a death benefit only if you die during that term. Term Life Insurance generally provides the largest immediate death protection for your premium dollar.

Most Term Insurance policies are renewable for one or more additional terms even if your health has changed. Each time you renew the policy for a new term, premiums will be higher. Check the premiums at older ages and how long the policy can be continued.

Many Term Insurance policies can be traded before the end of a conversion period for a Whole Life policy—even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the Term Insurance.

Whole Life Insurance covers you for as long as you live. The common type is called Straight Life or Ordinary Life Insurance—you pay the same premiums for as long as you live. These premiums can be several times higher than you would pay at first for the same amount of Term Insurance. But they are smaller than the premiums you would eventually pay if you were to keep renewing a Term Life policy until your later years.

Some Whole Life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher than for ordinary life insurance since the premium payments are squeezed into a shorter period. Whole Life policies develop cash values. If you stop paying premiums, you can take the cash—or you can use the cash value to buy continuing insurance protection for a limited time or a reduced amount. (Some Term Life policies that provide coverage for a long period also have cash values.)

You may borrow against the cash values by taking a policy loan. The loan amount and interest on the loan that you do not pay back will be deducted from the benefits if you die, or from the cash value if you stop paying premiums.

Universal Life (UL) Insurance offers protection to you for as long as you live. Typically you pay the same premiums for as long as you live. (Changes in premium are possible due to interest rate and cost of insurance changes.) These UL premiums can be several times the amount that you would pay at first for the same amount of Term Life Insurance. But as time progresses, the Universal Life premiums become smaller than the premiums you would eventually pay if you were to keep renewing a Term Life policy until your later years.

Some Universal Life policies let you pay premiums for a shorter period such as 20 years, or until age 65—typically when you might retire from your job.

Premiums for these policies are higher than for Ordinary Life Insurance or Whole Life Insurance since the premium payments are squeezed into a shorter period. Like Whole Life policies, Universal Life policies develop cash values. Over time, as your cash values build, you may take the opportunity to take out a loan or withdrawal from your Universal Life policy. If you do borrow against the cash values by taking a policy loan, the loan amount and interest on the loan that you do not pay back will be deducted from the benefits if you die or from the cash value if you stop paying premiums.

When you reach the point at which you are no longer required to pay premiums for the UL coverage, you can take the cash value from the contract or you can use the cash value to buy continuing insurance protection for a limited time or you can purchase a reduced coverage amount.

Combinations and Variations - You can combine different kinds of insurance. For example, you can buy Whole Life Insurance or Universal Life Insurance for lifetime coverage and add Term Life Insurance for the period of your greatest insurance need. Usually the Term Insurance is on your life—but it can also be bought for your spouse** or children.

Other policies may have special features that allow flexibility as to premiums and coverage. Some let you choose the death benefit you want and the premium amount you can pay. The kind of insurance and coverage period are determined by these choices. Be sure to ask your representative for details regarding your proposed coverage.

Please use the life insurance calculation below to establish your need for coverage. This is personal and no one needs to know but you.

HOW MUCH DO YOU NEED?

To decide how much life insurance you may need, determine what your dependents would have if you were to die now, and what they would actually need (to maintain their current standard of living). Your new policy should come as close to making up the difference as you can afford.

Enter your financial estimates in the following boxes to calculate the appropriate amount of life insurance for you.

Salary replacement for spouse** and dependents annual amount multiplied by seven years	\$	_____
Desired emergency fund amount	\$	_____
Estimated college education fund for each child	\$	_____
Multiplied by the number of children	x _____ =	\$ _____
Current debts (mortgage, credit cards, autos, etc.)	\$	_____
Funeral and estate settlement fees	\$	_____
Subtotal A	\$	_____
Enter the total amount of current life insurance	\$	_____
Enter your total cash and savings	\$	_____
Enter any other liquid assets	\$	_____
Subtotal B	\$	_____
Subtotal A: \$ _____ minus Subtotal B: \$ _____ =	\$	_____

The final figure is the total amount of additional life insurance that you currently need under your existing circumstances.

THINGS TO REMEMBER

Review your particular insurance needs and circumstances. Choose the kind of policy with benefits that most closely fit your needs. Ask your insurance or financial planning professional to help you.

- * Be sure that the premiums are affordable for you and your family.
- * Read your policy carefully. Ask your insurance or financial planning professional about anything that is not clear to you.
- * Review your life insurance program every few years to keep up with changes in your income and your needs.

This information on how to determine the right amount of life insurance is provided by Transamerica Worksite Marketing and the companies through which we offer insurance:

Transamerica Life Insurance Company
Home Office: Cedar Rapids, IA

Your insurer will be the company with which you complete an application and which issues your policy.

Transamerica Life Insurance Company
Administrative Offices:
P.O. Box 8063
Little Rock, AR 72203-8063
(888) 763-7474

P.O. Box 34280
Louisville, KY 40232-4280
(888) 743-3479

Third Party Administrators:
Vision Financial
P.O. Box 506
Keene, NH 03431-0506
(800) 706-8502