



The Fundamentals of Life Insurance



THE SHARPE GROUP



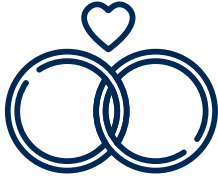
A yellow folder is visible on the left side of the slide, partially open, showing its inner compartments and metal clips.

What is Life Insurance?

A life insurance policy is a contract with an insurance company. In exchange for premium payments, the insurance company provides a lump-sum payment, known as a death benefit, to beneficiaries upon the insured's death. Life insurance brings peace of mind knowing there will be financial support for your loved ones. It can provide protection for family members in the event of a death by replacing income, covering educational costs and much more.

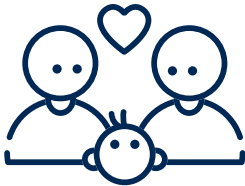
Who Should Have Life Insurance and Why?

Life insurance can fill a multitude of needs, and most individuals can benefit from owning a policy. There are several events that can trigger the need to purchase or review existing life insurance:



Married or Getting Married

Having life insurance in place ensures your spouse can maintain the lifestyle that they are accustomed to. Many families rely on two incomes, and life insurance can replace the income lost to cover future living expenses.



Starting a Family

Life insurance can help safeguard your financial future should a spouse be left alone to provide for your children. It will offer the income needed to cover services such as child care and education.



Changing Jobs

If you have changed jobs or have been recently promoted, that would be a good time to reevaluate your life insurance policy. Often times when income rises, spending tends to rise as well and you want to make sure your coverage allows your family to maintain their current lifestyle in the event something were to happen to the breadwinner.



Outstanding Debt

The largest sources of debt for most Americans are their mortgage and student loans. When deciding on a coverage amount for a life insurance policy, your total debt should be considered to ensure whoever receives the proceeds in the event of your death will have enough to pay off your outstanding balances in full.



Retired

In retirement, you may have fewer financial commitments such as mortgage payments and children to provide for. As you approach retirement you should review your existing life insurance coverage to make certain it still meets your current needs.



Final Expenses

If you do not want to create a financial burden on your loved ones, you may want to consider life insurance to fund for final expenses such as funeral costs.

Opportunities in Life Insurance

Life insurance is most commonly known for providing heirs with a death benefit should an unexpected death occur. Life insurance can also be used to meet other future planning needs such as:

Wealth Transfer

There are many strategies utilized to pass assets to the next generation, but using life insurance for wealth transfer is one of the most efficient. If purchased at a young age, life insurance can be very cost effective and the proceeds are income tax-free to the beneficiaries. Additionally, these policies can be structured to avoid federal estate and state inheritance taxes.

Business Succession Planning

If you own a business, have you considered what would happen to your company if you, your business partner, or another essential employee died unexpectedly? A succession plan that includes life insurance can help protect both your company and your family. In the event of an owner's death, a life insurance benefit can be used to pay off outstanding loans immediately while your company regains its financial footing.

Education Costs

With the increased cost of college tuition, parents are finding it more difficult to meet tuition payments. Among other saving tools, many are using life insurance as a means to afford higher education expenses. With a cash value life insurance policy, you can use the cash value component to build funds for college expenses, and the death benefit component to secure the funds needed for your child's education in the event of your premature death.

Retirement Funding

A life insurance policy cash value grows tax deferred and any accumulated cash value can be accessed tax-free via loans and withdrawals, as long as they are properly structured. Moreover, these features can also make the policy cash value a good choice to supplement retirement income.

Understanding Your Options

There are two broad categories of life insurance: term life and permanent life. The one best suited for you depends on your needs and may even be a combination of products.

Term Life Insurance

A type of life insurance that guarantees payment of a death benefit if the covered person dies within the specified term. Terms typically range from five to 20 years. Once the term expires the insured can either renew for another term or convert to permanent coverage. Term insurance is typically the least expensive way to purchase a death benefit.

Permanent Life Insurance

This type of policy lasts for the lifetime of the insured and the premiums paid into the policy go toward both maintaining the policy's death benefit and allowing the policy to build cash value. The death benefit is paid to the named beneficiaries on the policy. Cash value is a separate savings account in the policy which can be accessible to help meet needs such as paying for a child's college education or cover medical expenses.



Types of Permanent Life Insurance Coverage

Whole Life

Provides a fixed premium and a fixed death benefit for life with accumulation of cash value. The cash value grows tax deferred at a guaranteed rate until the contract is surrendered. Whole life policies tend to have a higher premium but the cash accumulation can be used to lower the cost of premium payments or can be taken as a loan.

Universal Life

Provides flexible premium payments and a death benefit. They generally include a cash value account that accumulates at a floating rate of interest with a minimum rate guarantee.

Indexed Universal Life

Provides the same benefits as traditional universal life insurance with one primary difference; the way the interest is credited to the cash value of the policy. The interest is credited to the cash value based on the movement of a specific stock market index or indexes over a specific period of time.

Variable Universal Life

Combines the flexibility of universal life with the performance of investment accounts. This type of policy has variable sub-accounts similar to a mutual fund, that allow for the investment of the cash value. Variable universal life insurance offers increased flexibility and growth potential over a traditional whole life policy, but can be a riskier option since the death benefit is tied to the sub-accounts' performance.

Guaranteed Universal Life

Is designed to be a lower cost option providing a death benefit opposed to cash value accumulation. The premium payments are typically lower than a whole life policy and the death benefit can be reduced over time if needs change.

Survivorship Coverage

Also known as Second-to-Die life insurance, it protects the lives of two people under one policy. The death benefit is paid only after both covered individuals have passed away. Since it costs less than two individual permanent policies, it is an affordable option to leave a larger nest egg for your heirs.

Hybrid Life Insurance

Many permanent life insurance policies offer an additional rider that can supplement a long-term care need. This rider allows for liquidity from the policy to cover expenses such as, nursing home care, home health care and personal or adult day care, offering more flexibility than a traditional life insurance policy.

How Much Life Insurance Do You Need?

How much life insurance you need will vary based on your personal and financial circumstances. You will need enough coverage to replace your income and cover your dependents expenses. If you want a quick determination of what that figure might be you can use the DIME method.

The **DIME** formula: **DIME stands for debt, income, mortgage and education.** This formula accounts for your most important financial obligations, and encourages you to take a more detailed look at your finances. The sum of these obligations gives a better estimate of how much insurance you will need.

The image displays the DIME formula components in a vertical list. Each component is represented by a colored square with a white letter, followed by a title and a description. The components are: Debt and Final Expenses (blue), Income (red), Mortgage (orange), and Education (green).

D

Debt and Final Expenses

Your existing debt and estimated funeral expenses.

I

Income

Decide how many years your family would need support, and multiply annual income by that number.

M

Mortgage

Calculate the amount needed to pay off your mortgage.

E

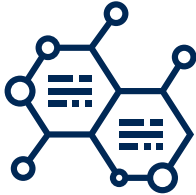
Education

Estimate the cost of your children's higher education.

Policy Review

If you currently own a life insurance policy, your coverage, like all of your other investments, should be reviewed periodically to make certain it is in line with your financial goals for the future.

Oppenheimer utilizes a framework to help you review many different aspects of your current life insurance coverage. Using our consultative process, we will help you evaluate a policy in the following areas:



Structure

Are your policies structured properly to address your needs?



Performance

Are your policies performing as you expected?



Adequacy

Does your life insurance reflect your financial and life goals?



Needs

Are there other needs that were not previously considered?

Throughout the various stages of your financial life, your Oppenheimer Financial Professional will work to help recognize where you stand today, how you can work most effectively toward your objectives and ultimately how life insurance can assist in the transfer of your financial and personal legacy.

Life Insurance Terms to Know

Insured

The person who is insured by a life insurance policy.

Owner

The individual who purchases the life insurance policy.

Beneficiary

The person who receives the life insurance payout. More than one beneficiary can be named on a policy.

Underwriting

The process by which insurance companies evaluate the risk of insuring an individual for the stated amount of insurance they are applying for. It often includes accessing medical records, driving record and prescription drug history.

Rider

An add-on provision that provides an additional benefit within the coverage.

Premium

The payment required by the life insurance company in order for the insured's policy to remain in force. Depending on the terms agreed upon, the premium might be paid in a lump sum or in a series of regular payments.

Cash Value

A savings account within the policy that allows "cash value" to build and can be accessed over time.

Convertibility

A benefit provided by some insurance companies that allows you to upgrade from a term policy to a permanent policy.





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The Sharpe Group of Oppenheimer & Co. Inc. has been established for the primary purpose of assisting our clients with risk-adjusted returns, based upon individual needs and objectives. The process begins with the creation of an investment policy statement, and where appropriate, a comprehensive financial strategy. Taking into account those needs and objectives, we will help design both tactical and strategic asset allocation models based upon those ideas and or policies. Next, we will help with the evaluation and the choice of appropriate investment managers in order to implement the strategies. Finally, through ongoing due diligence and performance reporting, we will recommend portfolio adjustments to help keep client portfolios working toward achieving each client's long-term goals.

Meet The Team



Lawrence Rubinstein
Managing Director – Investments



Michael Corcione
CPFA®
Associate Director -
Investments



Matthew Carey
Financial Advisor



Amanda Pelczar
Client Service Associate



Justin Gelbman, CFP®
Managing Director – Investments



Noah Wills
CLTC®, CPFA®
Associate Director -
Investments



James Bladel
Senior Director -
Investments



Dana DiSerio
Client Service
Associate