Manulife

Insurance Explained – Permanent life insurance video

Transcript

Talent starts speaking on camera.

Permanent life insurance! Let's do this!

Cut to animated introduction with the following supers:

Manulife presents Insurance Explained

Today's topic: Permanent Life Insurance

(Super "Permanent life insurance" appears on screen beside the talent).

Permanent life insurance is life insurance that provides a lifetime of coverage. And because permanent life insurance doesn't expire, it is usually used as an estate-planning tool. Let me explain:

Since permanent life insurance covers you for the rest of life, it's probable that the death benefit (or lump sum of money) will be paid to your beneficiaries in your old age.

At that time, you'll probably have little to no debt, so the lump-sum of money that your loved ones will get would be used – among other things - to pay off the costs of settling your estate taxes as well as any remaining taxes such as capital gains on property and investments.

A unique feature of permanent life insurance is that it can include a cash-value that accumulates tax-free over the life of the policy allowing you to build equity.

(Cut to a frame where we see a stack of dollar bills growing. After a moment, the stack turns into two pillars that grow as well. RRSP is written on one pillar, TFSA is written on the other one).

And because the cash value can grow tax-free, permanent life insurance can be considered if you've contributed as much as you're allowed to your Registered Retirement Savings Plans and Tax-Free Savings Accounts and are looking at opportunities to keep earning tax-deferred growth.

This makes it an attractive choice for high-net-worth individuals, but others, too! Younger individuals can also benefit from it, with protection for life and cash value that can grow to a sizable amount long term.

Plus, the cash value can be used for different purposes and allows permanent life policies to offer some flexibility in terms of coverage and payment.

(Cut to a frame where the super "Which permanent life insurance?" appears).

So, there's a few different permanent life insurance options in Canada.

There's Whole life, Universal life, and Term to 100 insurance.

I'll explain.

(Super “Whole life” appears on screen beside the talent).

Whole life is often considered the “traditional” permanent life insurance.

Most of whole life insurance policies come with guaranteed cash value, which means that at any point, your policy will have a certain amount of cash value that will grow over time.

And the investment approach of the cash-value is hands-off for the policy owner.

This means that whole life policy owners don’t need to pick and choose investment options. That’s something their insurance company looks after as they manage the cash value. The perfect option if you’re not a stock market genius!

Whole life insurance is made to fulfill an individual's long-term goals and it’s important to keep it going for as long as you live.

(A chart appears beside the talent. Five equal size green bars representing the fixed premium. And an arrow that grows over time to represent the growing cash value).

Consistency is key, with premiums that don’t change over the lifetime of the policy and guaranteed cash-value accumulation. Just let the policy do its work and relax.

And FYI, there’s 2 types of whole life insurance you should know about.

(Cut to a frame with a stack of coins representing the cash value and shields representing the coverage. In between there is a bag of money representing dividends and annual credit. Coins are coming out of the bag of money to grow the stack of coins and the stack of shields).

The first, are whole life policies that allow you to get dividends or annual credit that can help grow the cash value and also increase your coverage.

(Bag of dividends disappear along with some coins from the stack and some coverage).

And the second are whole life policies that would only provide you with the cash value feature without the option of getting dividends or annual credit to increase your coverage.

And regardless of the type of whole life insurance you got, when you pass away, your beneficiaries would only get the insurance amount as a death benefit. While the cash value can be very useful while you’re alive, it’s not paid out to your beneficiaries.

(Super “Universal life” appears on screen beside the talent).

Universal life can also include a cash-value component but is a more hands-on approach, meaning it’s totally up to you to put the extra cash in the policy and to choose how to invest the cash value.

(Super “Insurance amount” and “Cash value” appear on screen beside the talent).

And unlike whole life insurance, your beneficiaries would get both the insurance amount PLUS the cash value built-in over the lifetime of the policy.

Invest wisely and your loved ones will get a bigger payout.

This kind of insurance typically lets you choose your premium payment schedule, the cash value amount you want to pay (within limits) and an investment mix that matches the level of risk you’re comfortable with.

All in all, it’s a more flexible and hands on option than whole life.

(Super “Term-to-100” appears on screen beside the talent).

Term-to-100 is a hybrid of term and permanent life insurance. It provides coverage as long as you live, BUT it doesn’t have any cash-value.

On that note, the cash value CAN be a pretty interesting feature, right?!

But what else can you do with it beyond increasing your coverage?

Well, there's a variety of ways you can take advantage of it:

(Cut to an illustration where a policy appears to illustrate "pay your premiums" with a number 1. A bank appears to illustrate "collateral" with a number 2. A hand withdrawing a dollar bill appears to illustrate making a withdrawal with a number 3. A torn policy appears along with a stack of dollar bills to illustrate "ending the policy" with a number 4).

First, you can use it to pay your premiums. If you build up enough money in your cash value account, you may be able to use it to cover future premium payments, depending on the policy.

Second, you can use it as a loan collateral and borrow money against it.

Third, you can withdraw it. But if you take the cash value out of the policy, it'll likely be taxed and could also impact your death benefit amount.

And fourth, if you decide to end the policy, you'll receive the cash value amount, minus any applicable fees (like the surrender charge of universal life for example). This action ends the life insurance coverage. And when you end your policy, keep in mind that the cash value may also be taxed.

(Cut to a frame where the super "The takeaway" appears).

To recap permanent life insurance, just keep in mind that it's life insurance that doesn't expire and can combine a death benefit with a savings component, which allows you to grow the cash you put in it tax-free!

(Super "Tax-free" appears on screen beside the talent).

And the cash-value can provide you with options AND flexibility that other life insurance may not have.

This makes permanent life insurance a protection option to consider when looking to protect your family in the long-term, providing you with options and flexibility that Term life insurance doesn't allow.

You know... finding the right life insurance... not always an easy task.

So many different factors come into play like your budget, financial situation, protection needs, and more...but now that you've watched this, you should have a better understanding of permanent life insurance and how it can help you protect your family.

And that's a really good start,

So good job!

(Cut to end frame with Manulife logo and legal disclaimer).

The information in this video is not to be relied upon as financial or investment advice for specific situations. Individual circumstances may vary. You may wish to contact one of Manulife's licensed insurance advisors or your licensed insurance agent if you need advice about your insurance needs.

The Manufacturers Life Insurance Company (Manulife)

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