

What Are the Advantages of Variable Life Insurance?

Whole life insurance provides a solution to many of the shortcomings of term life insurance. However, as consumers demanded even more changes from the life insurance industry, insurers responded with yet another development: variable life insurance.

A Modern Alternative

Variable life insurance introduced a whole new concept to life insurance — the concept of investment control. While whole life insurance provided fixed rates of return on the cash value — rates that were determined by the insurance company — variable life insurance provides you with investment discretion over the cash value portion of your policy.

How Does Variable Life Insurance Work?

Variable life allows you to allocate your cash value among a variety of investment subaccounts. The premiums you pay are fixed throughout the life of the contract. The performance of your chosen subaccounts determines the growth of your cash value. They can also determine the value of your death benefit.

There are usually several subaccounts to choose from, including stock, bond, money market, and fixed-interest options. You can allocate your cash value as you see fit. And you can be as conservative or aggressive as you wish.

How Is It Different from Variable Universal Life?

The premiums of a variable universal life insurance policy are flexible. They can be varied to meet your financial needs. On the other hand, your premiums under a variable life policy are fixed. While this can be viewed as a disadvantage, it leads to an important difference between variable life and variable universal life: guaranteed premiums and a guaranteed death benefit.

No matter how poorly your subaccounts perform, the death benefit of your variable life policy is guaranteed. And while contracts may vary, your premiums generally won't change. With variable universal life, if your subaccounts perform poorly, you may have to pay additional premiums to keep your policy in force.

Financial Flexibility and a Guaranteed Death Benefit

Variable life offers the flexibility to design your own portfolio together with the security of the guaranteed death benefit. As long as you pay your fixed

premiums, your death benefit cannot go away. This is not the case with universal or variable universal life insurance.

While your insurance needs will be determined by your situation, you may want to consider variable life. The cost and availability of the type of life insurance that is appropriate for you depends on factors such as age, health, and the type and amount of insurance you need. If you are considering purchasing life insurance, consult a professional to explore your options.