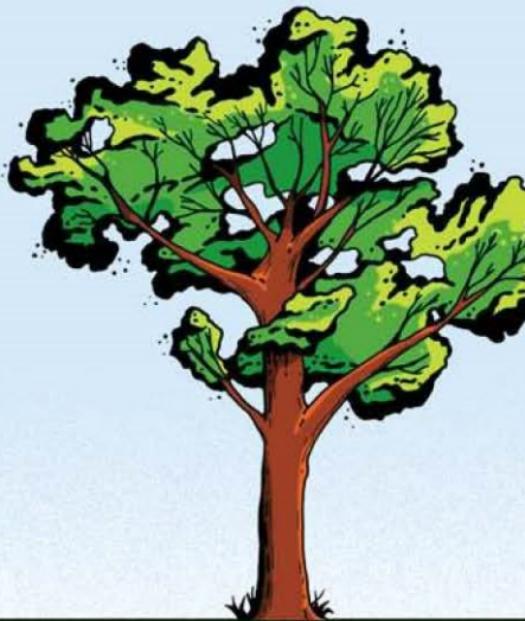


THE LITTLE
BOOK OF

life



Press the Tab key to jump
to the needs analysis

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WHAT'S LIFE ALL ABOUT?

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TEN MINUTES TO THE SIMPLE LIFE

Welcome to the basics of life . . . insurance, that is. In the next 10 minutes, you'll gain the knowledge to begin to take charge of your life insurance decisions.

AVOIDING FINANCIAL TRAGEDY

You're probably already saving for the future.

You may be investing in stocks, bonds, mutual funds and your employer's 401(k) plan. These are crucial steps for your family's financial security. But investing is just one part of a sound financial plan.

You need to protect yourself and your loved ones against financial uncertainty. If a sudden death occurs, life insurance helps ensure that a personal tragedy doesn't become a financial tragedy.



Fact or Fiction?

I don't need life insurance once my kids are "grown" and my mortgage is paid off.

If you died today, your spouse could outlive you by 10, 20 or more years. Life insurance could ensure adequate funds for that possibility and could also provide something to pass on to children and grandchildren. And depending on the size of your estate, funds could eventually be needed to pay estate taxes.

If someone depends on you financially, you probably need life insurance. Life insurance can provide cash to your family at your death . . . when they need it most. If you died tomorrow, how would your loved ones fare financially? Would they have the necessary money to make ends meet for the mortgage, groceries, funeral costs, medical bills, education, etc.?

So whether you are young or old, married or single, have children or don't, take a moment to consider how life insurance might fit into your financial plans.

ADDING IT ALL UP

Everyone's insurance needs are different. The best way to calculate yours is to have your financial professional complete a financial needs analysis. This analysis will determine your obligations and resources you have to meet those obligations.

The worksheet will help give you an idea of how much life insurance is right for you. Be sure to consult a financial professional for a more precise number.

Years Income Needed	Factor	CHART 1
5	4.45	Assumes a 4% net rate of return, i.e. an 8% return on investments and a 4% inflation rate. Changing either assumption will change the results.
10	8.11	
15	11.12	
20	13.59	
25	15.62	
30	17.29	
35	18.66	
40	19.79	

If You DIED TODAY . . .

Expenses – Immediate Cash Needs

1. Final Expenses

The cost of the funeral, final medical expenses, etc. _____

The average funeral costs \$6,000 - \$10,000.

2. Outstanding Debt

Include mortgage, credit cards, car loans, etc. _____

3. Education Funds

The total cost of sending your children to college _____

4. Total Cash Needed for Immediate Needs

Add lines 1, 2 and 3 _____

Future Income Needs

5. Total Annual Income Your Survivors Would Need

Your family will need to replace between 60-80%
of your current gross annual household income _____

6. Annual Income Available from Other Sources

Spouse's income, Social Security, interest, rental
property, etc. _____

7. Income to be Replaced

Subtract line 6 from line 5 _____

8. Current Capital Needed for Income

Multiply line 7 by factor in Chart 1

Income needed for ____ years; Factor ____

9. Total Cash Needed

Add lines 4 and 8 _____

Available Assets

10. Savings and Investments

Bank accounts, CDs, stocks, bonds, etc.

11. Retirement Savings

IRAs, 401(k)s, Keoghs, pensions, etc.

12. Current Life Insurance

Include all life insurance, including coverage through your employer

13. Total Income Producing Assets

Add lines 10, 11 and 12

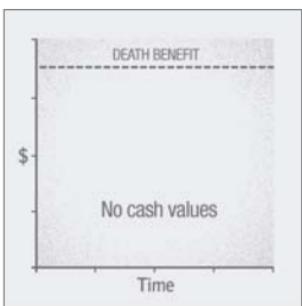
14. Additional Life Insurance Needed

Subtract line 13 from line 9

Did you know that with proper planning, your beneficiaries will pay no estate or income tax on the life insurance death benefit, and it can also avoid the probate process?

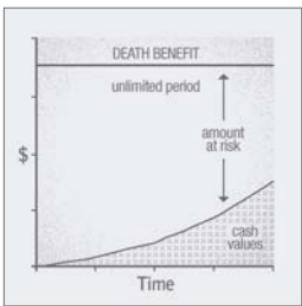
VARIETY IS THE SPICE OF LIFE

When it comes to insurance, the best type of insurance to own is the kind that will be in force when the need arises. You need the right amount of protection at a price you can afford. There are many varieties of life insurance but most insurance falls into two categories: term insurance and permanent insurance.



Term insurance is designed for temporary needs (usually one to 30 years). It can be a good choice for young families with tight budgets because of its initial lower cost. Many term insurance policies have conversion privileges to convert

the term policy to a permanent policy before it becomes too costly or when your financial situation changes.

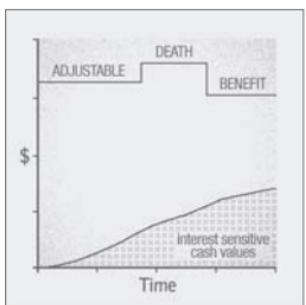


Permanent insurance can provide lifelong protection. As long as you pay the required amount of premiums, the death benefit will be paid. Along with the death benefit, permanent insurance accumulates a cash value on

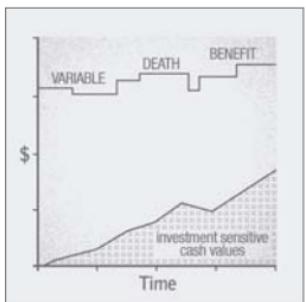
a tax-deferred basis. Generally, you pay no income tax on the accumulated gain unless you withdraw it.

Two Types of Permanent Insurance:

- Universal life insurance gives the owner the right to vary premium payments and the death benefit within prescribed limits. The rate of return on the cash value fluctuates according to the insurance company's investment performance, but will not fall below a guaranteed minimum rate of return.



- Variable universal life insurance is similar to universal



life insurance, except that the cash value can be invested in an array of options, typically mutual funds, and will fluctuate according to the investments' performance. You have the right to

allocate your policy values among the investment options offered under the policy.

“The best type of insurance to own is the kind that will be in force when the need arises.”

OUT WITH THE OLD, IN WITH THE NEW?

Think twice before replacing any existing life insurance. Be sure it will be to your advantage.

Possible Reasons to Keep an Existing Policy:

- You will be subject to a new contestability period and new suicide period. During the first two years of a new policy, it can be contested if any material information was not provided. Plus death claims can be denied if the death was the result of suicide.
- Your current premiums may be lower than the new premiums.
- If cash values are involved, there may be current surrender charges or, your existing policy may be beyond the surrender charge period and purchasing a new one would start a new surrender charge period.
- There may be a higher guaranteed crediting rate on the old policy.
- Your health may not be as good as it was, resulting in higher premiums and costs on a new policy.

Life Events

Consider an insurance review if you've:

- Changed your marital status
- Got a new job or promotion
- Bought a new home
- Increased/decreased your debt
- Had a child
- Received an inheritance
- Started a business
- Become an "empty nester"
- Changed your income
- Had a change in your health

Possible Reasons to Exchange an Existing Policy:

- Improvements in policies are inevitable and prices tend to decrease. This can mean a more competitive product with lower costs and better features.
- Your health (or medical care) may have improved and can result in lower premiums and lower costs.
- You may qualify for a better underwriting class. Some existing policies may only have smoker and nonsmoker classes, while new policies have preferred, preferred plus and others.
- You may be able to add a Long Term Care rider to the new plan. This would protect future LTC needs using life insurance rather than a stand-alone LTC policy.

There are other items to be considered, so before making any changes to your existing insurance, ask for a detailed listing of cost breakdowns for both policies including premiums, cash surrender values and death benefits.

Beyond Your Personal Life

Business owners or financially successful people may have other life insurance needs. With proper planning and life insurance you can:

- Preserve your estate for your next generation
- Ensure the orderly succession of your business
- Financially reward yourself and your key executives with extraordinary benefits

Talk with your financial professional to learn more about life insurance that goes above and beyond.

TAKING THE NEXT STEP

Hopefully, this Little Book of Life has helped you better understand how life insurance fits into your financial plan. For more information, contact your financial professional or visit the Life and Health Insurance Foundation for Education (LIFE) online at www.lifehappens.org



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