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Death Insurance

Life Insurance (though it shouldn't be) is to this day a very controversial issue. There seems to be a lot of different types of life insurance out there, but there are really only two kinds. They are Term Insurance and Whole Life (Cash Value) Insurance. Term Insurance is pure insurance. It protects you over a certain period of time. Whole Life Insurance is insurance plus a side account known as cash value. Generally speaking, consumer reports recommend term insurance as the most economical choice and they have for some time. But still, whole life insurance is the most prevalent in today's society. Which one should we buy?

Let's talk about the purpose of insurance. Once we get the proper purpose of insurance down to a science, then everything else will fall into place. The purpose of life insurance is the same purpose as any other type of insurance. It is to "insure against loss of". Car insurance is to insure your car or someone else's car in case of an accident. So in other words, since you probably couldn't pay for the damage yourself, insurance is in place. Home owners insurance is to insure against loss of your home or items in it. So since you probably couldn't pay for a new house, you buy an insurance policy to cover it.

Life insurance is the same way. It is to insure against loss of your life. If you had a family, it would be impossible to support them after you died, so you buy life insurance so that if something were to happen to you, your family could replace your income. Life insurance is not to make you or your descendants rich or give them a reason to kill you. Life insurance is not to help you retire (or else it would be called retirement insurance)! Life insurance is to replace your income if you die. But the wicked ones have made us believe otherwise, so that they can overcharge us and sell all kinds of other things to us to get paid.

How does insurance work?

Rather than make this complicated, I will give a very simple explanation on how and what goes down in an insurance policy. As a matter of fact, it will be over simplified because we would otherwise be here all day. This is an example. Let's say that you are 31 years old. A typical term insurance policy for 20 years for $200,000 would be about $20/month. Now… if you wanted to buy a whole life insurance policy for $200,000 you might pay $100/month for it. So instead of charging you $20 (which is the true cost) you will be overcharged by $80, which will then be put into a savings account.

Now, this $80 will continue to accumulate in a separate account for you. Typically speaking, if you want to get some of YOUR money out of the account, you can then BORROW IT from the account and pay it back with interest. Now… let's say you were to take $80 dollars a month and give it to your bank. If you went to withdraw the money from your bank account and they told you that you had to BORROW your own money from them and pay it back with interest, you would probably go clean upside somebody's head. But somehow, when it comes to insurance, this is okay

This stems from the fact that most people don't realize that they are borrowing their own money. The "agent" (of the insurance Matrix) rarely will explain it that way. You see, one of the ways that companies get rich, is by getting people to pay them, and then turn around and borrow their own money back and pay more interest! **Home equity loans** are another example of this, but that is a whole different sermon.

Deal or No Deal.

Let us stick with the previous illustration. Let us say the one thousand 31 year olds (all in good health) bought the aforementioned term policy (20 years, $200,000 dollars at $20/month). If these people were paying $20/month, that is $240 per year. If you take that and multiply it over the 20 year term then you will have $4800. So each individual will pay $4800 over the life of the term. Since one thousand individuals bought the policy, they will end up paying 4.8 million in premiums to the company. The insurance company has already calculated that around 20 people with good health (between the ages of 31 and 51) will die. So if 20 people pass away, then the company will have to pay out 20 x $200,000 or $4,000,000. So, if the company pays out $4,000,000 and takes in $4,800,000 it will then make a $800,000 profit.

This is of course OVER simplifying because a lot of people will cancel the policy (which will also bring down the number of death claims paid), and some of those premiums can be used to accumulate interest, but you can get a general idea of how things work.

On the other hand, let's look at whole life insurance. Let us say the one thousand 31 year olds (all in good health) bought the aforementioned whole life policy ($200,000 dollars at $100/month). These people are paying $100/month. That is $1200 per year. If the average person's lifespan (in good health people) goes to 75, then on average, the people will pay 44 years worth of premiums. If you take that and multiply it by $1200 you will get $52,800. So each individual will pay $52,800 over the life of the policy. Since one thousand individuals bought the policy, they will end up paying 52.8 million in premiums to the company. If you buy a whole life policy, the insurance company has already calculated the probability that you will die. What is that probability? 100%, because it is a whole life (till death do us part) insurance policy! This means that if everyone kept their policies, the insurance company would have to pay out 1000 x $200,000 = $2,000,000,000) That's right, two billion dollars.

Ladies and gentleman, how can a company afford to pay out two billion dollars knowing that it will only take in 52.8 million? Now just like in the previous example, this is an oversimplification as policies will lapse. As a matter of fact, MOST whole life policies do lapse because people can't afford them, I hope you see my point. Let's take the individual. A 31 year old male bought a policy in which he is suppose to pay in $52,800 and get $200,000 back? There no such thing as a free lunch. The company somehow has to weasel $147,200 out of him, JUST TO BREAK EVEN on this policy! Not to mention, pay the agents (who get paid much higher commissions on whole life policies), underwriters, insurance fees, advertising fees, 30 story buildings... etc, etc.

This doesn't even take into account these variable life and universal life policies that claim to be so good for your retirement. So you are going to pay $52,800 into a policy and this policy will make you rich, AND pay you the $200,000 death benefit, AND pay the agents, staff and fees? This has to be a rip off.

Well, how could they rip you off? Maybe for the first five years of the policy, no cash value will accumulate (you may want to check your policy). Maybe it's misrepresenting the value of the return (this is easy if the customer is not knowledgeable on exactly how investments work). Also, if you read my article on the rule of 72 you can clearly see that giving your money to someone else to invest can lose you millions! You see, you may pay in $52,800 but that doesn't take into account how much money you LOSE by not investing it yourself! This is regardless of how well your agent may tell you the company will invest your money! Plain and simple, they have to get over on you somehow or they would go out of business!

How long do you need life insurance?

Let me explain what is called the theory of decreasing responsibility, and maybe we can answer this question. Let's say that you and your spouse just got married and have a child. Like most people, when they are young they are also crazy, so they go out and buy a new car and a new house. Now, here you are with a young child and debt up to the neck! In this particular case, if one of you were to pass away, the loss of income would be devastating to the other spouse and the child. This is the case for life insurance. BUT, this is what happens. You and your spouse begin to pay off that debt. Your child gets older and less dependent on you. You start to build up your assets. Keep in mind that I am talking about REAL assets, not fake or phantom assets as I described in Conspiracy of Home Loanership.

In the end, the situation is like this. The child is out of the house and no longer dependent on you. You don't have any debt. You have enough money to live off of, and pay for your funeral (which now costs thousands of dollars because the DEATH INDUSTRY has found new ways to make money by having people spend more honor and money on a person after they die then they did while that person was alive). So... at this point, what do you need insurance for? Exactly... absolutely nothing! So why would you buy Whole Life (a.k.a. DEATH) Insurance? The idea of a 179 year old person with grown children who don't depend on him/her still paying insurance premiums is asinine to say the least.

As a matter of fact, the need for life insurance could be greatly decreased and quickly eliminated, if one would learn not to accumulate liabilities, and quickly accumulate wealth first. But I realize that this is almost impossible for most people in this materialistic, middle class matrixed society. But anyway, let's take it a step further.

Confused Insurance Policies

This next statement is very obvious, but very profound. Living and dying are exact opposites of each other. Why do I say this? The purpose of investing is to accumulate enough money in case you live to retire. The purpose of buying insurance is to protect your family and loved ones if you die before you can retire. These are two diametrically opposed actions! So, if an "agent" waltzes into your home selling you a whole life insurance policy and telling you that it can insure your life AND it can help you retire, your red pill question should be this:

If this plan will help me retire securely, why will I always need insurance? And on the other hand, if I will be broke enough later on in life that I will still need insurance, then how is this a good retirement plan?

Now if you ask an insurance agent those questions, she/he may become confused. This of course comes from selling confused policies that do two opposites at once.

Norman Dacey said it best in the book *"What's wrong with your life insurance."*

"No one could ever quarrel with the idea of providing protection for one's family while at the same time accumulating a fund for some such purpose as education or retirement. But if you try to do both of these jobs through the medium of one insurance policy, it is inevitable that both jobs will be done badly."

So you see, even though there are a lot of new variations of whole life, like variable life and universal life, with various bells and whistles (claiming to be better than the original, typical whole life policies), the red pill question must always be asked! If you are going to buy insurance, then buy insurance! If you are going to invest, then invest. It's that simple. Don't let an insurance agent trick you into buying a whole life policy based on the assumption that you are too incompetent and undisciplined to invest your own money.

If you are afraid to invest your money because you don't know how, then educate yourself! It may take some time, but it is better than giving your money to somebody else so they can invest it for you (and get rich with it). How can a company be profitable when it takes the money from it's customers, invests it, and turns around and gives it's customers all of the profits?

And don't fall for the old "What if the term runs out and you can't get re-insured trick". Listen, there are a lot of term policies out there that are guaranteed renewable until an old age (75-100). Yes, the price is a lot higher, but you must realize that if you buy a whole life policy, you will have been duped out of even more money by the time you get to that point (if that even happens). This is also yet another reason to be smart with your money. Don't buy confused policies.

How much should you buy?

I normally recommend 8-10 times your yearly income as a good face amount for your insurance. Why so high? Here is the reason. Let's say that you make $50,000 per year. If you were to pass away, your family could take $500,000 (10 times $50,000) and put it into a fund that pays 10 percent (which will give them $40,000 per year) and not touch the principle. So what you have done is replaced your income.

This is another reason why Whole Life insurance is bad. It is impossible to afford the amount of insurance you need trying to buy super high priced policies. Term insurance is much cheaper. To add to this, don't let high face values scare you. If you have a lot of liabilities and you are worried about your family, it is much better to be underinsured than to have no insurance at all. Buy what you can manage. Don't get sold what you can't manage.

You can get a quote here.

It may not be as high as you think.

Hope this helped.

So, Until next time,

Free Your Mind… Online.

Cordially,

Matt Mason

For more resources on learning how to invest, visit the Resource Center
http://freeyourmindonline.net/resources.html