



A Prime Gate Financial Guide



Living Benefits

A guide to

Protecting Your Income,
Home, and Retirement

Tax Strategies • Risk Management • Wealth Planning

Copyright © 2025 Ed Esteban. All Rights Reserved.

This eBook is protected under U.S. and international copyright laws. No part of this publication may be reproduced, distributed, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the prior written permission of the author, except in the case of brief quotations used in critical reviews or articles.

This eBook is intended for informational purposes only. While every effort has been made to ensure accuracy, the author makes no representations or warranties regarding the completeness or reliability of the information provided. While the information provided are for your reference, insurance carriers may change their financial plan offerings at any time.

Always consult with a licensed insurance professional before making any decisions regarding life insurance policies.

"Protecting Your Income, Home, and Retirement"

Discover the life-changing power of "Living Benefits Life Insurance" through this transformative e-book—a heartfelt guide designed to empower you with the knowledge to protect what matters most. Whether you're facing unexpected health challenges, planning for the future, or seeking peace of mind for your loved ones, this resource unlocks the potential of life insurance that supports you while you're still alive. Dive in and explore how these benefits can provide financial relief, security, and hope when you need it most.



About the Author:

Hello, I'm Ed Esteban, a licensed Life, Accident, and Health Insurance Agent with over 16 years of experience dedicated to helping individuals and families secure their financial futures. My passion for service is rooted in my upbringing—my father, was an attorney, and an insurance agent with John Hancock, and my mother, was a nurse at Laguna Honda Hospital in San Francisco, taught me the value of hard work and compassion. Growing up as one of seven children in a family with strong foundation, instilled in me the importance of family and community.

In addition to my work in the insurance industry, I bring over 25 years of experience as a Mortgage Broker. I specialize in assisting First-Time Home Buyers (FTHBs) and families navigate the often-complex journey of home financing. My expertise includes working with large banks, private money investors, wholesale lenders, and proprietary loan programs to deliver customized solutions for FTHBs, real estate investors, and self-employed buyers. My goal is to simplify the process and ensure my clients achieve their homeownership dreams with confidence.

I also had the privilege of previously co-owning a corporate and vacation travel franchise for 13 years, with my wife Tess. That journey not only sharpened my entrepreneurial skills but also deepened my passion for working directly with

people. It taught me the true value of community connection—something I find far more rewarding than the corporate world.

Grounded in faith and a commitment to empowering others, I am passionate about making a lasting impact on the lives of those I serve. Whether you're planning for the future, purchasing your first home, or exploring investment opportunities, I'm here to guide you every step of the way. Let's connect and explore how we can help you achieve your goals!

Understanding Living Benefits Life Insurance to Secure Your Future

Discover how life insurance with living benefits can be a lifeline when you need it most. This comprehensive guide unveils how these policies provide financial support during life's toughest moments—covering critical illnesses, chronic illness, long-term care, or even replacing lost income. Explore the costs, availability, and the powerful riders that can be tailored to your unique needs, giving you peace of mind and security for the future.

"The prudent see danger and take refuge, but the simple keep going and pay the penalty." – Proverbs 22:3

Table of Contents:

Introduction

Welcome and Purpose of the E-book

The Importance of Financial Security

Chapter 1: The Basics of Life Insurance – page 7

What Is Life Insurance?

Why Do You Need Life Insurance?

Types of Life Insurance Policies

Why should life insurance be a must for anyone that have dependents?

Chapter 2: Introduction to Living Benefits – page 15

What Are Living Benefits?

How Do They Differ from Traditional Life Insurance?

Chapter 3: Understanding Living Benefits Riders – page 18

Critical Illness Rider

Long-Term Care Rider

- Disability Income Rider
- Terminal Illness Rider
- Chapter 4: Benefits of Living Benefits Life Insurance – page 21**
 - Financial Protection During Critical Illness
 - Supplementing Long-Term Care Expenses
 - Receiving Income in Case of Disability
 - Peace of Mind in Terminal Illness
- Chapter 5: Assessing Your Insurance Needs – page 25**
 - Evaluating Your Financial Situation
 - Identifying Your Vulnerabilities
 - Calculating Coverage Amounts
- Chapter 6: Choosing the Right Policy – page 30**
 - Factors to Consider When Selecting a Living Benefits Policy
 - Comparing Different Insurers
 - Customizing Your Coverage
- Chapter 7: Applying for Living Benefits Life Insurance – page 33**
 - The Application Process
 - Medical Examinations and Underwriting
 - Waiting Periods
- Chapter 8: Making Premium Payments – page 37**
 - Premium Options
 - Premium Payment Frequency
 - Grace Periods, Lapse Prevention, Financial Hardship
- Chapter 9: Claims and Benefits Payout – page 40**
 - How to Initiate a Claim
 - The Claims Review Process
 - Receiving Benefits
- Chapter 10: Tax Implications of Living Benefits – page 44**
 - Tax-Free Benefits
 - Tax-Deductible Premiums
 - Tax Considerations for Different Riders
- Chapter 11: Living Benefits Case Studies – page 47**
 - Real-Life Examples of How Living Benefits Can Help
 - Stories of Individuals Who Benefited
- Chapter 12: Using Life Insurance as a Home Mortgage Protection Plan – page 50**
 - Can Be Used to Payoff Your Mortgage... How It Works
 - Pros and Cons of Home Mortgage Protection
 - Best Protection Plans with Side-by-Side Comparison

Chapter 13: Frequently Asked Questions – page 58

Common Questions About Living Benefits

Expert Answers and Clarifications

What if the Proposed Insured already have a Pre-Existing Condition

Conclusion – page 62

The Importance of Planning Ahead

Taking Action to Secure Your Financial Future

Closing Statement – page 63

Introduction:

Welcome to "Understanding Living Benefits Life Insurance: Securing Your Future." In today's fast-paced world, financial security is a top priority for individuals and families alike. Life insurance has long been a fundamental tool for safeguarding loved ones in the event of the policyholder's passing. However, traditional life insurance policies only offer a payout upon the insured's death.

Living Benefits Life Insurance is changing the landscape of insurance by providing policyholders with financial protection while they are alive. This innovative type of coverage includes riders that offer benefits in the event of critical illness, disability, long-term care needs, and terminal illness. It adds a layer of security that can alleviate the financial burdens associated with unexpected life events.

In this e-book, we will explore the world of Living Benefits Life Insurance in detail. We will discuss what living benefits are, the different riders available, the advantages they offer, and how to choose the right policy to meet your unique needs. Whether you're new to life insurance or looking to enhance your existing coverage, this e-book will provide valuable insights to help you make informed decisions about securing your financial future.

Let's embark on this journey to understand Living Benefits Life Insurance and how it can bring peace of mind and financial protection to you and your loved ones.

Understanding Living Benefits Life Insurance: Securing Your Future

"For I know the plans I have for you," declares the Lord, "plans to prosper you and not to harm you, plans to give you hope and a future." – Jeremiah 29:11



Chapter 1: The Basics of Life Insurance

What Is Life Insurance?

Life insurance is a contract between a policyholder and an insurance company, wherein the insurer promises to provide a sum of money to designated beneficiaries upon the insured's death. It serves as a financial safety net for families, ensuring that loved ones are supported in the absence of the primary earner.

Why Do You Need Life Insurance?

Life insurance protects against life's uncertainties. It ensures that family members have access to funds for:

- Paying off debts or mortgages
- Covering daily living expenses
- Funding children's education
- Maintaining financial stability
- Final or Funeral expenses

Example:

Imagine a young family with two children. The breadwinner unexpectedly passes away without life insurance. The surviving spouse struggles to cover mortgage payments and daily expenses. With a life insurance policy, this financial burden would be significantly reduced, providing stability during challenging times where emotions are taking a toll and energy already depleted.

Types of Life Insurance Policies

1. **Term Life Insurance:** Provides coverage for a specified period (e.g., 10, 20, or 30 years).
2. **Whole Life Insurance:** Offers lifelong coverage and accumulates cash value over time.
3. **Universal Life Insurance:** Flexible premiums and death benefits, often tied to market performance.
4. **Living Benefits Life Insurance:** Combines traditional life insurance with living benefits riders, providing additional coverage for unexpected life events.

Why Life Insurance Is a Must for Every Parent


As a parent, your family relies on you not just for love and support but also for financial stability and security. Life insurance isn't just another expense—it's a promise to protect your loved ones even when you're no longer there. Here's why it's an absolute must:

1. Financial Safety Net for Your Family

Life insurance ensures that your family can maintain their standard of living if something happens to you. It provides funds to cover:

- **Daily Expenses:** Groceries, utility bills, childcare, and more.
- **Outstanding Debts:** Mortgage, car loans, credit cards—relieving your loved ones of financial stress.


- **Future Goals:** Helps pay for your children’s education or wedding, ensuring their dreams stay within reach.

 **Fact:** Without life insurance, many families face financial hardships and struggle to meet even basic needs after the loss of a breadwinner.

2. Emotional Peace of Mind

As a parent, the thought of your family struggling in your absence is unimaginable. Life insurance gives you peace of mind, knowing they’ll be supported no matter what.


- **Stay in the Family Home:** Your loved ones won’t have to move due to financial constraints.
- **Continue Their Education:** Ensures your children’s future is not interrupted by unforeseen circumstances.
- **Live Without Worry:** Your partner and children won’t have to shoulder the burden of your loss and financial insecurity simultaneously.

 **Imagine This:** The devastating emotional toll of losing a loved one is enough—but adding financial instability to the equation could break the family spirit. With life insurance, you eliminate that fear.

3. Take Action While You Qualify

Life insurance gets more expensive and harder to obtain as you age or develop health issues. Waiting could mean:

- **Higher Premiums:** Every year of delay increases your cost.
- **Limited Coverage:** Pre-existing health conditions might restrict your options.
- **Missed Opportunity:** You might lose the ability to qualify altogether.

 **Act Now:** The best time to secure life insurance is when you’re healthy and still qualify for affordable rates. Tomorrow isn’t guaranteed, but your ability to protect your family **today** is entirely in your hands.

4. A Gift of Love and Responsibility

Providing life insurance is one of the most selfless acts you can do for your family. It shows:

- **Your Commitment:** You've planned for their future, no matter what happens.
- **Your Love:** Even in your absence, you're taking care of them.

💡 **Think About This:** If your family depends on your income, **what happens if that income stops?** Life insurance fills that gap, giving your loved ones a financial cushion and the time to grieve without added stress.

Don't Wait—Act While You Can

Every day you wait is a missed opportunity to secure your family's future. Whether it's term life insurance for budget-friendly coverage or permanent insurance for lifelong protection and cash value, there's a plan that fits your needs.

👉 **Take the first step today**—because your family deserves the very best. Speak to an advisor, explore your options, and make the decision to protect what matters most.

"Carry each other's burdens, and in this way you will fulfill the law of Christ." – Galatians 6:2

How Adult Children Can Use Life Insurance for Their Parents and Make It Affordable

Life insurance for parents is a thoughtful and strategic way for adult children to ensure their family is financially prepared for the inevitable. While it can seem expensive, there are practical steps to make it affordable without compromising coverage.

"GoFundMe is not a plan—it's a last-minute plea. When the time comes to lay your elders to rest, relying on the generosity of others can leave your family unprepared and overwhelmed. Life insurance ensures your loved ones are cared for with dignity and respect, without the uncertainty of crowdfunding."

Why Consider Life Insurance for Your Parents?

1. **Cover Final Expenses:** Funeral costs, burial, or cremation expenses can easily reach \$10,000 or more, leaving an unexpected burden on family members.
2. **Pay Off Debts:** If your parents leave behind debts like mortgages, medical bills, or credit card balances, life insurance ensures you won't have to shoulder those obligations.

3. **Protect Generational Wealth:** Life insurance provides liquidity for estate taxes or helps preserve family assets like homes or businesses.
 4. **Provide Long-Term Financial Support:** The payout can be used to care for a surviving spouse, support grandchildren, or cover other essential expenses.
-

Strategies to Make Life Insurance for Parents Affordable

1. Choose the Right Type of Policy

- **Final Expense Insurance:** Also known as burial insurance, these smaller policies (typically \$10,000–\$50,000) are affordable and specifically designed to cover end-of-life costs.
 - **Term Life Insurance:** If your parents are still relatively young and healthy, term insurance offers significant coverage for a limited time at a lower cost.
 - **Guaranteed Issue Life Insurance:** For parents with health issues, these policies require no medical exams and are accessible, though premiums are slightly higher.
-

2. Opt for a Shared Premium Payment Plan

If the policy seems expensive, adult children can pool resources to split the premiums among siblings. This collaborative approach ensures the burden doesn't fall on one person while securing coverage for your parents.

3. Purchase While They're Younger

The earlier you purchase life insurance for your parents, the lower the premiums will be. If your parents are in their 50s or early 60s and still in good health, now is the best time to lock in affordable rates.

4. Maximize Health Discounts

Encourage your parents to undergo a medical exam, as healthier individuals typically qualify for lower premiums. Work with a licensed agent to explore policies that reward good health.

5. Consider Policies with Flexible Payments

Some insurers offer flexible payment options, such as:

- **Monthly Premiums:** Break down payments into manageable chunks.
 - **Single-Pay Policies:** Pay upfront for a one-time premium to avoid long-term costs.
-

6. **Leverage Cash Value**

If your parents already own permanent life insurance, you can tap into the cash value to pay premiums or meet other financial obligations. This allows you to use existing resources strategically.

7. **Work with an Experienced Agent**


A knowledgeable agent can help identify affordable policies tailored to your family's needs. They can shop for competitive rates and recommend riders or features that enhance coverage without adding excessive costs.

How to Get Started

1. **Have the Conversation:** Speak with your parents about their wishes, financial situation, and the legacy they want to leave behind.
 2. **Assess Your Budget:** Determine what you and your siblings can afford collectively.
 3. **Shop Around:** Compare policies from multiple insurers to find the best combination of coverage and cost.
 4. **Act Quickly:** Premiums rise with age, so the sooner you secure coverage, the more affordable it will be.
-

The Bottom Line

Life insurance for your parents isn't just a financial tool—it's a gift of love and responsibility. It ensures you're prepared for future expenses while preserving your family's financial stability. By selecting the right policy, working with an agent, and exploring strategic payment options, you can make life insurance for your parents both affordable and impactful.

 **Don't wait. Take action today and protect your family's future.**

Why Life Insurance Is a Must-Have for Anyone with Dependents

If you have loved ones who rely on you financially, life insurance isn't just an option—it's a necessity. It serves as a safety net, ensuring your family's financial well-being even when you're no longer there to provide for them. Here's why life insurance is a critical tool for anyone with dependents:

1. Provide Financial Security for Your Loved Ones

Life insurance ensures that your family can maintain their quality of life even after your passing. From everyday living expenses to long-term financial goals, the payout acts as a replacement for the income your dependents rely on.

Example: Your spouse may need help covering mortgage payments, utility bills, or education costs for your children. Life insurance ensures these essentials are taken care of.

2. Pay Off Debts

Without life insurance, your debts—like a mortgage, car loans, or credit card balances—could fall on your family. Life insurance provides the funds to settle these obligations, sparing your loved ones from financial hardship.

3. Cover Your Children's Future Needs

For parents, life insurance ensures that your children's dreams are not derailed by financial struggles. Whether it's covering college tuition, extracurricular activities, or even their wedding, the payout gives them the stability they need to thrive.

4. Protect Your Spouse's Financial Stability

If your spouse depends on your income, life insurance provides peace of mind that they won't have to struggle financially in your absence. It allows them to grieve without worrying about how to make ends meet.

5. Affordable and Customizable Coverage

Life insurance can be surprisingly affordable. Policies can be tailored to fit your budget, ensuring you get the coverage you need without overextending your finances. Whether you choose term life for temporary needs or permanent life for lifelong coverage, there's an option that works for everyone.

6. Acts as a Final Gift of Love

Life insurance is more than just financial planning—it's an act of love. It shows your dependents that their well-being was your priority and that you planned ahead to protect them.

The Emotional Impact

Think about the peace of mind it provides to know your family won't face financial struggles in an already difficult time. Imagine the relief your spouse will feel knowing the mortgage is paid, or the comfort your children will have knowing their education is secure. These are priceless gifts you can provide with life insurance.

Don't Wait Until It's Too Late

The best time to secure life insurance is when you're healthy and premiums are at their lowest. Waiting only increases costs and the risk of becoming uninsurable due to age or health issues.

Take Action Now

If you have dependents who rely on you, life insurance isn't just a financial tool—it's a lifeline for their future. Act today to ensure they are protected, no matter what happens tomorrow.

👉 Speak with a licensed agent or get a free quote today. Protect what matters most.



Chapter 2: Introduction to Living Benefits

Living Benefits Life Insurance represents a groundbreaking evolution in the world of insurance, offering policyholders the unique opportunity to access financial support when they need it most—while they are still alive. This chapter delves into what living benefits are, how they differ from traditional life insurance, and why they are an essential part of modern financial planning.

What Are Living Benefits?

Living benefits are riders within a life insurance policy that allow policyholders to access a portion of the death benefit while they are still alive. These benefits are designed to alleviate financial burdens arising from critical illnesses, chronic illness, or terminal illness needs. They transform life insurance from a purely protective tool for loved ones into a versatile safety net for the insured.

Key Features of Living Benefits:

- **Financial Flexibility:** Provides funds that can be used for medical treatments, daily expenses, or any other financial need.

- **Accessibility:** Enables policyholders to access a percentage of their death benefit without compromising the remainder for their beneficiaries.
 - **Peace of Mind:** Reduces financial stress during challenging times, allowing individuals to focus on recovery and quality of life.
-

How Do They Differ from Traditional Life Insurance?

Traditional life insurance policies primarily focus on providing a payout to beneficiaries upon the policyholder's death. While this remains an essential function, living benefits life insurance expands on this concept by addressing financial challenges during the policyholder's lifetime.

Key Differences:

- **Traditional Life Insurance:**
 - Provides a lump-sum payment to beneficiaries after the insured's death.
 - Offers no direct financial support to the policyholder.
 - **Living Benefits Life Insurance:**
 - Offers access to funds while the insured is still alive.
 - Addresses financial needs associated with critical illness, chronic illness, terminal illness, or disability.
 - Combines death benefit protection with immediate financial relief.
-

Why Living Benefits Matter in Today's World

The financial landscape has shifted dramatically, with rising healthcare costs and longer life expectancies placing greater strain on families. Living benefits address these challenges head-on by providing a layer of protection that extends beyond traditional insurance offerings. They enable families to maintain financial stability and dignity during some of life's most difficult moments.

Common Uses of Living Benefits:

- Covering out-of-pocket medical expenses and treatments not covered by insurance.
 - Paying for long-term care services, such as in-home caregivers or assisted living facilities.
 - Replacing lost income due to disability or illness.
 - Funding alternative therapies or experimental treatments.
-

Example: Living Benefits in Action

Consider a policyholder diagnosed with cancer. With a traditional life insurance policy, their family would only receive a payout upon their passing, leaving them to shoulder medical bills, lost income, and caregiving costs during the treatment period.

With living benefits, the policyholder can access a portion of their death benefit immediately to cover:

- **Medical Expenses:** Paying for surgeries, chemotherapy, or other treatments.
- **Household Costs:** Covering mortgage payments, utility bills, and groceries.
- **Caregiving Support:** Hiring professional caregivers or helping a spouse take unpaid leave to provide care.

👉 This financial flexibility allows the policyholder to focus on their recovery rather than the mounting expenses, ensuring peace of mind for themselves and their loved ones.



Chapter 3: Understanding Living Benefits Riders

Living Benefits Riders are valuable additions to a life insurance policy that provide financial support during life-altering situations. These riders ensure policyholders and their families can maintain financial stability when unexpected challenges arise. Below is a deeper exploration of the key living benefits riders and how they work in real-life scenarios.

Critical Illness Rider

A Critical Illness Rider provides a lump-sum payment if the policyholder is diagnosed with a specified critical illness, such as cancer, heart attack, or stroke. This payment can be used for medical bills, alternative treatments, or any other financial needs during recovery.

Example:

John, a 45-year-old father of two, suffers a heart attack. With his critical illness rider, he receives a \$500,000 payout, which he uses to cover out-of-pocket medical costs, physical therapy, and to replace lost income while focusing on his recovery.

This financial cushion allows John to prioritize his health without worrying about mounting expenses.

Chronic Illness Rider

A Chronic illness typically means you are unable to perform at least **2 out of 6 Activities of Daily Living (ADLs)** (such as bathing, dressing, eating, toileting, transferring, continence) **or** you require substantial supervision due to severe cognitive impairment (like dementia or Alzheimer's).

Example:

*You have a **\$300,000 life insurance policy** with a Chronic Illness Rider. At age 65, you are diagnosed with a condition where you need daily help with bathing and dressing. The insurance company approves your claim, and you choose to take **\$120,000** from your policy to cover in-home care and living expenses. When you later pass away, your family still receives the remaining **\$180,000** from the policy.*

Disability Income Rider

A Disability Income Rider offers a steady income replacement if the policyholder becomes unable to work due to a disabling condition. This feature provides essential financial support during periods of disability, ensuring ongoing stability.

Example:

Maria, a 35-year-old graphic designer, suffers injuries in a car accident that leave her unable to work for six months. Her disability income rider provides her with monthly payments equivalent to a portion of her salary, allowing her to cover rent, utility bills, and other living expenses while she recovers. This safety net ensures she doesn't fall behind financially during her time off work.

Terminal Illness Rider

The Terminal Illness Rider allows policyholders diagnosed with a terminal illness to access a portion of their death benefit while still alive. This benefit can be used for

medical expenses, personal goals, or to support loved ones during the policyholder's final days.

Example:

David, a 57-year-old engineer, is diagnosed with terminal cancer and given less than 12 months to live. He uses his terminal illness rider and received \$450,000 from his death benefit. This enables him to take his family on a memorable vacation, pay off his mortgage, and settle outstanding debts. With these financial concerns addressed, David experiences peace of mind and spends his remaining time focused on his family.

The Importance of Living Benefits Riders

Living Benefits Riders bridge the gap between traditional life insurance and real-life financial needs during critical times. They offer flexibility, peace of mind, and security, making them an essential part of comprehensive financial planning.

By choosing policies with living benefits riders, policyholders can protect their families and their futures, ensuring that life's unexpected challenges don't lead to financial distress.



Chapter 4: Benefits of Living Benefits Life Insurance

Living Benefits Life Insurance offers a range of advantages beyond the traditional death benefit. It provides financial security and peace of mind during life's most challenging moments. This chapter explores the specific benefits and real-life impact of this invaluable policy.

Financial Protection During Critical Illness

A critical illness can have devastating financial consequences, with medical expenses, lost income, and caregiving costs piling up quickly. Living Benefits Life Insurance offers immediate access to a portion of the policy's death benefit, ensuring that financial concerns don't compound an already stressful situation.

Key Benefits:

- **Immediate Payouts:** Policyholders can receive funds soon after diagnosis to cover medical bills, treatments, and recovery costs.

- **Flexible Use:** The benefit can be used for any expense, including experimental treatments, travel to specialized medical facilities, or even daily living expenses.
- **Reduced Stress:** By alleviating financial pressure, families can focus on recovery and support rather than worrying about money.

Example: *When diagnosed with cancer, a single mother used her living benefits to pay for advanced treatments, allowing her to access cutting-edge therapies while maintaining her household and childcare needs.*

Chronic Illness

A chronic illness is a health condition that persists for an extended period, typically more than six months, and requires ongoing medical attention or management. Chronic illness commonly described as one can't perform 2 activities of daily living (bathing, dressing, eating, transferring, continence, and toileting). Living Benefits Life Insurance helps offset these expenses, enabling policyholders to prioritize their quality of life and recovery. When a claim is paid out from the Living Benefits of the life plan, the insured can use the money at their discretion.

Key Benefits:

- **Home-Based Care Support:** Funds can be used for in-home caregiving services, allowing individuals to remain in a familiar and comfortable environment.
- **Nursing Facility Costs:** If needed, the benefit can help cover the high costs of skilled nursing facilities or assisted living communities.
- **Enhance Recovery:** Financial support for physical therapy, rehabilitation, or mental health counseling promotes overall well-being during recovery.

Example: *A retired teacher recovering from a stroke used her policy's benefits to hire a physical therapist and a part-time caregiver, allowing her to regain independence while staying in her own home.*

Peace of Mind in Terminal Illness

Facing a terminal illness is an emotionally and financially challenging experience. Living Benefits Life Insurance offers comfort by ensuring financial security during this difficult time, allowing families to focus on what matters most—spending time together.

Key Benefits:

- **Dignity and Comfort:** Provides the financial resources needed for hospice care, home modifications, or personal wishes, such as traveling to see loved ones.
- **Family Stability:** Reduces the burden on family members who might otherwise need to shoulder caregiving or financial responsibilities.
- **Legacy Planning:** Enables the insured to settle debts or make significant contributions to their family's future.

Example: *A grandmother diagnosed with a terminal illness used her policy's benefits to travel across the country to spend time with her grandchildren and prepare cherished family heirlooms for her loved ones.*

Case Study: A Family's Story of Resilience

Background: A couple in their 50s had always been diligent about planning for the future. They purchased a Living Benefits Life Insurance policy, not realizing how vital it would become.

Challenge: Several years later, one partner was diagnosed with ALS, a progressive neurological disease. The diagnosis brought immense emotional and financial challenges, including the need for home modifications, specialized caregiving, and medical equipment.

Solution: The couple activated their policy's living benefits, receiving funds to:

- Install wheelchair ramps and modify their bathroom for accessibility.
- Hire a professional caregiver to assist with daily tasks.
- Purchase advanced medical equipment, such as a motorized wheelchair.

Outcome: Thanks to the policy, the couple was able to remain in their home, maintain their quality of life, and spend meaningful time together without financial stress.

Key Takeaways

Living Benefits Life Insurance goes beyond traditional life insurance by addressing real-life challenges while the policyholder is still alive. It offers:

- Financial relief during critical or chronic illnesses.
- Support for long-term care and disability-related expenses.
- Peace of mind for individuals and families during life's most difficult moments.

By understanding the wide-ranging benefits of this type of policy, you can make informed decisions to protect yourself and your loved ones from the unexpected.



Chapter 5: Assessing Your Insurance Needs

Planning for your financial security requires a thorough understanding of your current situation and the potential challenges you may face. Insurance plays a critical role in ensuring you and your loved ones are protected against unforeseen circumstances. This chapter will guide you through assessing your insurance needs step-by-step.

Evaluating Your Financial Situation

The first step in assessing your insurance needs is to evaluate your current financial picture. This involves understanding your income, expenses, and long-term financial goals. Here's how to do it effectively:

1. Analyze Your Income

- Assess your total household income, including salaries, investments, and any additional streams.

- Consider the stability of your income sources. Are they guaranteed, or do they fluctuate?

2. Examine Your Expenses

- Categorize your monthly expenses into essentials (e.g., mortgage or rent, utilities, groceries) and discretionary spending (e.g., entertainment, vacations).
- Identify areas where unexpected expenses could arise, such as medical bills or home repairs.

3. Define Your Long-Term Financial Goals

- Set clear financial goals for yourself and your family, such as:
 - Paying off a mortgage
 - Funding children's education
 - Building a retirement fund
 - Estimate the financial resources required to achieve these goals.

By understanding where you stand financially, you can determine what role insurance should play in maintaining your financial stability.

Identifying Your Vulnerabilities

Life is unpredictable, and various risks can threaten your financial security. Identifying these risks helps you understand the type of coverage you may need.

1. Health Risks

- Consider potential health issues that could lead to medical expenses or loss of income, such as chronic illnesses, critical illnesses, or disabilities.
- Evaluate whether your existing health insurance policy provides sufficient coverage for major health events.

2. Income Risks

- Ask yourself what would happen if you or a family member lost their primary income source due to injury, or illness.
- Disability insurance can be crucial in mitigating this risk.

3. Long-Term Care Needs

- Assess the likelihood of needing long-term care services, such as nursing home care or in-home assistance, especially as you age.
- Long-term care insurance can protect your assets and provide peace of mind.

4. Dependents' Needs

- If you have dependents, think about their financial needs in case you are no longer able to provide for them.
- Life insurance can ensure their financial security.

By identifying your vulnerabilities, you can proactively seek insurance solutions to cover potential risks.

Calculating Coverage Amounts

Determining the right amount of insurance coverage is essential to avoid being underinsured or overinsured. Here's a step-by-step guide:

1. Factor in Your Debts

- List all outstanding debts, including:
 - Mortgage balances
 - Auto loans
 - Credit card debt
 - Personal loans

- Your coverage should be sufficient to pay off these debts, ensuring your family won't be burdened by them.

2. Estimate Living Expenses

- Calculate your family's annual living expenses, including:
 - Housing costs (rent or mortgage)
 - Utilities, groceries, and transportation
 - Healthcare and education costs
- Multiply this amount by the number of years you want your insurance to cover. For example, you might aim to cover expenses for 10–20 years.

3. Plan for Future Financial Goals

- Include additional coverage to meet long-term goals, such as:
 - Funding a child's college education
 - Building a retirement fund for a surviving spouse

4. Account for Inflation

- Remember that the cost-of-living increases over time. Build in a buffer to ensure your coverage remains adequate.

5. Review Existing Assets

- Consider how much of your existing savings, investments, or other assets could contribute to covering expenses.
- Subtract these assets from the total amount needed to determine the insurance coverage gap.

Example Calculation

If you have the following:

- *Outstanding debts: \$200,000*

- *Annual living expenses: \$50,000 x 10 years = \$500,000*
- *Future goals (college fund): \$100,000*
- *Existing savings and assets: \$150,000*

Insurance Coverage Needed: \$200,000 + \$500,000 + \$100,000 - \$150,000 = \$650,000

Key Takeaways

1. **Understand Your Financial Picture:** Know your income, expenses, and goals to determine the role insurance plays in your financial plan.
2. **Identify Your Risks:** Anticipate health, income, and care-related risks that could disrupt your financial security.
3. **Calculate Coverage Adequately:** Consider debts, living expenses, and future needs while accounting for inflation and existing assets.
4. **Review Periodically:** Reassess your insurance needs regularly to ensure they align with changes in your financial situation or family dynamics.

By following these steps, you'll be better equipped to select the right insurance policies and coverage amounts to protect yourself and your loved ones.

Tool Tip:

Use an online insurance needs calculator to estimate the coverage amount required for your unique situation.



Chapter 6: Choosing the Right Policy

Selecting the right Living Benefits Life Insurance policy is crucial to maximizing its benefits. This chapter outlines the key factors to consider, strategies for comparing insurers, and tips for customizing your coverage to meet your needs.

Factors to Consider When Selecting a Living Benefits Policy

When choosing a policy, it's important to evaluate your options carefully. Consider the following:

1. Coverage Options and Riders

- Review the types of living benefits offered, such as critical illness, chronic illness, or terminal illness riders.

- Consider additional riders that enhance the policy, such as waiver of premium or accidental death benefits.

2. Premium Affordability

- Ensure the policy fits within your budget without compromising essential coverage.
- Evaluate whether premiums are fixed or adjustable over time.

3. Insurer Reputation and Ratings

- Research the financial strength and stability of the insurance provider.
- Look for customer reviews and ratings to assess the company's claims processing and customer service.

Comparing Different Insurers

To find the best policy, it's important to evaluate multiple insurance providers. Use the following strategies:

- **Request Multiple Quotes:** Compare premiums and benefits to identify competitive rates.
- **Understand Policy Terms:** Read the fine print to ensure there are no hidden limitations or exclusions.
- **Seek Recommendations:** Consult with a financial advisor or insurance agent to gain insights into reputable insurers.
- **Check Industry Ratings:** Use resources like AM Best, Moody's, or Standard & Poor's to verify the financial strength of the insurer.

Customizing Your Coverage

Tailor your policy to align with your specific needs and financial goals. Here's how:

1. Balance Costs and Benefits

- Choose a policy that provides sufficient coverage without overextending your budget.
- Opt for riders that address your unique risks, such as critical or chronic illness.

2. Consider Future Needs

- Ensure your policy can adapt to changing circumstances, such as family growth or increased financial obligations.
- Look for policies with flexible options for increasing coverage over time.

3. Regularly Review Your Policy

- Schedule periodic reviews to ensure the policy continues to meet your needs.
- Update beneficiaries and coverage amounts as your life circumstances evolve.
- It is important to inform your insurance agent of any major life changes or events that may affect your coverage needs

Checklist for Choosing the Right Policy

Use this checklist to guide your decision-making process:

- Have you reviewed all available riders?
- Will the new policy cover your current needs and future?
- Does the policy fit within your budget?
- Is the insurer known for reliable claims processing?
- Have you compared quotes from multiple providers?
- Does the policy address your specific financial and health risks?
- Are the premiums sustainable over the long term?

By carefully evaluating these factors, you can select a Living Benefits Life Insurance policy that offers comprehensive protection and peace of mind for you and your loved ones.



Chapter 7: Applying for Living Benefits Life Insurance

How to Apply for a Life Insurance Policy

Applying for a Living Benefits Life Insurance policy is relatively straightforward. Below is an outline of the process, including typical timelines and options for applying with and without a medical exam.

The Application Process - Steps to Apply for Living Benefits Life Insurance

1. Understand Your Options

- **Living Benefits** refers to life insurance policies that allow you to access part of the death benefit while you're alive in case of critical, chronic, or terminal illnesses.

- Policies offering Living Benefits are usually either:
 - **Term Life Insurance:** Coverage for a specific period (e.g., 10, 20, or 30 years).
 - **Permanent Life Insurance:** Whole or universal life policies with lifetime coverage.

Ensure you check which companies offer Living Benefits riders and compare their features.

2. Find an Insurance Provider or Agent

- Work with a licensed life insurance agent or directly contact an insurance company offering Living Benefits riders.
 - As an experienced agent, you can also offer tailored guidance to clients, helping them choose the best plan based on their needs.
-

3. Determine If You Qualify for a No-Medical Exam Policy (also known as Non-Med)

- Many insurers now offer **no-medical-exam life insurance** policies, especially for term life insurance. These policies typically include Living Benefits.
 - Policies without medical exams include:
 - **Simplified Issue Life Insurance:** Requires answering health-related questions but no physical exam.
 - **Guaranteed Issue Life Insurance:** No health questions or medical exam (usually has lower coverage limits and higher premiums).
-

4. Submit an Application

- Provide basic information like age, income, health history, and lifestyle habits (e.g., smoking).

- If applying for a no-medical-exam policy, be prepared to answer detailed health-related questions.
 - Some policies may require medical records or an attending physician's statement (APS).
 - Supplemental questionnaires may also be required for more details regarding a specific health history.
-

5. Underwriting Process

- **Timeline:**
 - For no-medical-exam policies: Approval can be as fast as **24–72 hours**. This option may have a higher premium due to higher risk that the Insurer takes.
 - For policies requiring underwriting and medical exams: It may take **2–4 weeks** or longer, depending on the insurer's process. This option may provide reasonable premiums by allowing a thorough review of the proposed insured's health with a medical exam and access to physician's records.
 - Insurers assess risk and determine premium rates based on your application and any medical data.
-

6. Receive Approval and Policy Delivery

- Once approved, you'll receive your policy documents (electronically or via mail). At this point, you pay your first premium to activate the coverage.
-

How Long Does the Process Take?

- **No-Medical Exam Policies:** Typically **1–5 days**. In some cases, it can be instantaneous with the insurance carrier reserving the option to verify information provided by the insured.

- **Full Underwriting Policies:** Usually **2–4 weeks** (depending on the need for a medical exam or additional documentation).
-

Can You Apply Without a Medical Exam?

- Yes! Many insurance providers now offer no-medical-exam policies that include Living Benefits riders.
 - These are ideal if:
 - You need coverage quickly.
 - You want to avoid medical exams due to health concerns or convenience.
 - Your coverage needs fall within the available limits (usually \$50,000 to \$2 million, depending on the insurer).
-

Next Steps

- Research and compare insurers offering Living Benefits riders (e.g., AIG, American National, Fidelity & Guaranty, National Life, Prudential, Mutual of Omaha).
 - Evaluate policy costs and coverage limits.
 - Consult with an experienced life insurance agent for personalized recommendations.
-



Chapter 8: Making Premium Payments

Paying premiums on time is essential to keeping your Living Benefits Life Insurance policy active and ensuring uninterrupted coverage. This chapter provides an overview of premium payment options, frequency, grace periods, strategies for lapse prevention, and options for policyholders who face financial difficulties.

Premium Options

When choosing a policy, you will have several premium payment structures to consider:

1. Level Premiums

- Premiums remain fixed for the life of the policy.
- Ideal for those seeking predictable, long-term payment schedules.

2. Flexible Premiums

- Available with certain policies like universal life insurance.
- Allows policyholders to adjust payment amounts based on financial circumstances.

3. Single Premium

- A one-time lump-sum payment that fully funds the policy.
- Suitable for individuals with significant liquid assets.

Premium Payment Frequency

Insurance providers typically offer various payment frequency options to suit policyholders' preferences:

- Monthly: Convenient for those who budget on a monthly basis.
- Quarterly: Reduces administrative fees compared to monthly payments.
- Semi-Annual: A middle-ground option for balancing convenience and cost savings.
- Annual: Often includes discounts, making it the most cost-effective option.

Grace Periods and Lapse Prevention

1. Grace Periods

- Most insurers provide a grace period of 30-31 days after the premium due date.
- Coverage remains active during this period, allowing policyholders time to make payments without penalties.

2. Lapse Prevention Strategies

- Automatic Payments: Set up auto-pay to ensure premiums are never missed.
- Policy Loans: Use the cash value of your policy to cover missed premiums, if available.

- Premium Waiver Riders: Add riders that waive premiums in the event of disability or critical illness.
-

Options for Financial Hardship

If you lose your job or face financial difficulties, there are several options to keep your policy active:

- Utilize Cash Value: For policies with a cash value component, you can borrow against the policy to cover premiums temporarily.
- Request a Premium Holiday: Some insurers allow a temporary pause in premium payments without lapsing the policy. Normally within a three month period, but will vary depending on the insurance carrier.
- Reduce Coverage: Lowering the death benefit can reduce the premium amount, making it more affordable.
- Switch to Extended Term Insurance: Convert the policy to term coverage using accrued cash value to maintain coverage for a limited period.
- Seek Assistance from the Insurer: Many providers offer hardship programs or alternative payment plans for policyholders in financial distress.

By exploring these options and communicating with your insurer, you can avoid policy lapses and maintain your valuable coverage during challenging times.



Chapter 9: Claims and Benefits Payout

What Happens When the Insured Gets Sick or experience a significant health event?

When the insured becomes critically, chronically, or terminally ill, a life insurance policy with Living Benefits can provide financial relief by allowing the insured to access a portion of the death benefit while still alive.

Here's what the family can expect and how to file a claim:

Living Benefits Are Activated

- If the policy includes Living Benefits riders (e.g., Critical Illness, Chronic Illness, or Terminal Illness), the insured can file a claim to access part of the death benefit.
- Common triggers include:
 - Diagnosis of a critical illness (e.g., heart attack, cancer, stroke).
 - Chronic illness requiring assistance with daily activities (e.g., bathing, dressing).

- Terminal illness with a life expectancy of less than 12–24 months, depending on the policy.
-

What the Family Can Expect from the Policy

Financial Support

- A percentage of the death benefit (e.g., 50–90%, depending on the policy and severity of the illness) is paid out as an accelerated benefit to cover:
 - Mortgage payments or rent.
 - Medical expenses or long-term care costs.
 - Daily living expenses like groceries, utilities, or childcare.

Protection of Remaining Coverage

- The remaining portion of the death benefit (if any) stays intact for the family after the insured's passing. You may also file a claim using only a portion of the total death benefit to ensure the policy will still have proceeds upon the insured's passing.
- Example: If the death benefit is \$300,000 and \$150,000 is used for Living Benefits, the family will receive \$150,000 upon the insured's death.

Tax-Free Payouts

- In most cases, accelerated benefits are tax-free, but it's a good idea to consult a tax advisor.
-

How to File a Claim

1. Notify the Insurance Company

- Contact the insurer immediately after receiving a diagnosis or when the illness qualifies under the policy's terms.
- Provide the policy number and the insured's personal details.

2. Submit Documentation

- The insurer will typically request:
 - A physician's statement or medical records detailing the illness.
 - Proof of diagnosis, such as test results or hospital reports.
 - Completed claim forms (these are usually available on the insurer's website).

3. Review Process

- Once all documents are submitted, the insurer will review the claim.
- Processing time can vary but usually takes 7–30 days, depending on the insurer and complexity of the claim.

4. Receive Payment

- If the claim is approved, the insured will receive the accelerated benefit as a lump sum or in installments, depending on the policy terms.

5. Keep the Policy Updated

- After the payout, ensure premiums are still paid (if required) to keep any remaining death benefit active.

Important Considerations for the Family

1. Understand the Policy Terms

- Review the policy's conditions for Living Benefits. Not all policies include coverage for every illness, so knowing what qualifies is essential.

2. Communicate with the Insurance Agent

- If you're the agent, guide the family through the process, explain the claim requirements, and ensure they have access to necessary forms.

3. Plan for Remaining Coverage

- Help the family plan for the portion of the death benefit that remains (if any) after an accelerated benefit payout.

Receiving Benefits

Once approved, benefits are disbursed as a lump sum or periodic payments, depending on the rider and policy terms.

Tip:

Keep copies of all claim-related documents and maintain open communication with your insurer to ensure a smooth process.

👉 *The **IRS Code Section 101(a)(1)** excludes life insurance death benefit proceeds from gross income, making them generally **tax-free** to the beneficiary. This applies when the proceeds are paid due to the death of the insured and the policy was not transferred for value (a scenario known as the "transfer-for-value" rule, which could trigger taxation).*

*For living benefits (such as accelerated death benefits for terminal, critical or chronic illness), **IRS Code Section 101(g)** often allows these payouts to also be received tax-free under specific conditions.*

It's always advisable to consult a tax advisor to understand how these rules apply to individual situations.



Chapter 10: Tax Implications of Living Benefits

Understanding the tax implications of living benefits is crucial for maximizing their value and ensuring compliance with financial regulations. This chapter explores how living benefits interact with tax laws and what policyholders should consider when utilizing these provisions.

Tax-Free Benefits

One of the most significant advantages of living benefits is that, in most cases, the payouts are tax-free. This allows policyholders to access the full financial support needed during challenging times without additional tax burdens.

Key Points:

- **Critical Illness Payouts:** Funds received for critical illnesses are generally excluded from taxable income.

- **Terminal Illness Benefits:** Payments accessed under a terminal illness rider are also typically tax-free, providing comfort and stability during difficult periods.
 - **Financial Relief:** The tax-free nature of these payouts ensures that policyholders can use the benefits entirely for medical bills, living expenses, or other needs.
-

Tax-Deductible Premiums

In certain circumstances, the premiums for specific policies or riders may be tax-deductible. For example:

- **Long-Term Care Riders:** Premiums for riders that cover long-term care may qualify as tax-deductible if they meet IRS requirements.
- **Eligibility Criteria:** Tax deductions often depend on factors such as the policyholder's age, medical expenses, and total income.

Actionable Tip:

Always consult with a tax advisor or financial planner to determine if your policy's premiums qualify for tax deductions based on current tax laws.

Tax Considerations for Different Riders

Living benefits policies include various riders, each with unique tax implications. Below is an overview of the most common riders and their potential tax impact:

Critical Illness Rider

- **Tax Implications:** Benefits received are generally tax-free, as long as they are used for qualified expenses.
- **Flexibility:** Funds can be allocated to medical bills, home modifications, or daily living costs without additional tax concerns.

Long-Term Care Rider

- **Qualified Expenses:** If the payout is used for IRS-defined qualified long-term care expenses, it may be tax-exempt.
- **Potential Deductions:** Premiums for long-term care coverage may be partially or fully deductible, subject to age and other criteria.

Disability Income Rider

- **Taxable Income:** If the premiums for this rider were paid with pre-tax dollars (e.g., through an employer-sponsored plan), the benefits received may be subject to income tax.
- **After-Tax Premiums:** If premiums were paid with after-tax dollars, the payouts are typically tax-free.

Example: Tax-Free Critical Illness Payout

Mark, a 45-year-old policyholder, receives \$200,000 from a critical illness rider after being diagnosed with a heart condition. Because the funds are tax-free, Mark is able to allocate the entire amount toward his mortgage payments, medical expenses, including hospital bills, medications, and transportation to specialists. This financial relief allows him to focus on recovery without worrying about a tax liability.

👉 Key Takeaways

1. **Tax-Free Benefits:** Most living benefits payouts are excluded from taxable income, providing comprehensive financial support.
2. **Tax-Deductible Premiums:** Certain premiums, especially for long-term care riders, may qualify as tax-deductible, reducing overall costs.
3. **Tax Variability:** The tax implications can vary based on the type of rider and whether premiums were paid with pre-tax or after-tax dollars.
4. **Consult a Professional:** Engage with a tax advisor to understand the specific implications of your policy and ensure compliance with tax regulations.

By understanding the tax implications of living benefits, policyholders can make informed decisions and maximize the financial advantages of their coverage.



Chapter 11: Living Benefits Case Studies

Living Benefits Life Insurance isn't just a policy—it's a lifeline during some of life's most challenging moments. In this chapter, we'll explore real-life examples that showcase how living benefits have helped individuals and families navigate critical illnesses, chronic illness, long-term care needs, and terminal illness.

Real-Life Examples of How Living Benefits Can Help

Case Study 1: Critical Illness

Jessica, a 42-year-old mother of three, was living a healthy and active life when she was unexpectedly diagnosed with breast cancer. The diagnosis brought not only emotional challenges but also significant financial strain due to high out-of-pocket medical expenses and the need to take unpaid leave from her job.

Fortunately, Jessica had a critical illness rider as part of her Living Benefits Life Insurance policy. This rider provided her with a \$300,000 payout upon diagnosis. With this money, Jessica was able to:

- Cover her medical deductibles and copayments for surgeries and treatments.
- Afford specialized treatments not covered by her health insurance.
- Replace lost income during her unpaid leave.
- Focus entirely on her recovery without the added stress of financial insecurity.

Thanks to her policy, Jessica overcame her illness while maintaining her family's financial stability.

Case Study 2: Chronic Illness

Harold, a 70-year-old retired engineer, suffered a stroke that left him unable to live independently. He required care in an assisted living facility, a costly necessity that could have depleted his retirement savings.

Thankfully, Harold had a Chronic Illness rider included in his Living Benefits Life Insurance policy. This rider covered the majority of his care expenses, allowing him to accelerate up to 25% per year of his life insurance until the full amount was utilized. *Chronic illness rider can vary based on insurance carrier product.*

- Access high-quality care in a reputable assisted living facility.
- Preserve his retirement savings for other needs, such as supporting his grandchildren's education.

- Reduce the financial burden on his family, who would have otherwise needed to contribute to his care.

Harold's family was grateful that his policy provided both financial relief and peace of mind during a challenging time.

Case Study 3: Terminal Illness

Ellie Mae, a 55-year-old high school teacher, was diagnosed with breast cancer. Unable to work for a year while undergoing multiple chemotherapy treatments. The possibility of falling behind on her mortgage and other financial obligations was a great concern of hers.

Fortunately, Ellie Mae's Living Benefits Life Insurance policy included a Terminal Illness rider. This rider provided her with a lumpsum payment which allowed her to have money for her mortgage payments and other medical expenses such as hiring a part-time caregiver:

- Pay her mortgage and household bills.
- Avoid accumulating debt during her treatment period.
- Focus on healing without the constant worry of financial instability.

Ellie Mae was able to return to work after a year of treatment, and her cancer went into remission. However, four years later, she ultimately succumbed to the disease.

Throughout her entire ordeal, she was never a financial burden to her family. Because she planned wisely, her mortgage was paid off when she passed, and she was also able to leave her only son, as the beneficiary of an additional life insurance policy—providing him with financial security even after her passing.

Key Takeaways from These Case Studies

These real-life examples illustrate the power of Living Benefits Life Insurance in:

- Alleviating financial stress during critical health challenges.

- Preserving savings and maintaining financial stability.
- Providing peace of mind for individuals and their families during difficult times.

Whether it's a critical illness, chronic illness, or terminal illness, Living Benefits Life Insurance empowers policyholders to face life's uncertainties with confidence. By understanding these case studies, you can see the profound impact this type of coverage can have on real lives and why it's an essential part of comprehensive financial planning.



Chapter 12: Using Life Insurance as a Home Mortgage Protection Plan

Using life insurance with **Living Benefits** as a Home Mortgage Protection Plan is one of the smartest ways to secure your family's financial future. Not only can it

protect your loved ones if something happens to you, but with Living Benefits, it can also help **pay off your mortgage balance** in the event of a major illness such as a heart-attack, stroke, or cancer, chronic illness, or terminal illness.

Pros and Cons and some of the best options for implementing this strategy.

How It Works

- Life insurance policies can be structured to cover the remaining mortgage balance in the event of your death or, in some cases, disability or critical illness.
 - Policies commonly used for mortgage protection include term life insurance, universal life insurance, or whole life insurance.
-

Pros of Using Life Insurance for Mortgage Protection

1. Flexibility

- Unlike Mortgage Protection Insurance (MPI), a life insurance policy's death benefit is paid to your beneficiaries, not the lender. They can use the money to pay off the mortgage, cover other expenses, or invest it as needed.

2. Affordability (Term Life Insurance)

- Term life insurance policies are often inexpensive and can be customized to match the length of your mortgage (e.g., 20- or 30-year term).
- Monthly premiums are lower than those of MPI policies offered by lenders.

3. Living Benefits

- Many modern life insurance policies include Living Benefits riders, allowing access to part of the death benefit if you're diagnosed with a terminal, critical, or chronic illness. This can help cover mortgage payments if you're unable to work.

4. Customizable Coverage

- You can purchase a policy for more than just the mortgage balance, providing additional protection for other family expenses (e.g., college tuition, daily living costs).

5. Portability

- Life insurance policies are not tied to your mortgage lender. If you refinance or sell your home, the policy remains in effect.
-

Cons of Using Life Insurance for Mortgage Protection

1. Higher Cost for Whole Life Insurance

- If you opt for whole life insurance (instead of term life), premiums can be significantly higher because of the lifetime coverage and cash value accumulation.

2. Policy Expiration (Term Life Insurance)

- With term life insurance, the policy ends when the term expires. If your mortgage is not paid off and you still need coverage, you may have to renew or buy a new policy at higher rates due to age or health changes.

3. Health-Based Underwriting

- Most life insurance policies require underwriting, which may involve a medical exam. Those with pre-existing conditions may face higher premiums or limited options (though no-medical-exam policies are increasingly available).

4. Overlapping Coverage

- If you already have sufficient life insurance coverage for your family's needs, adding a separate policy just for the mortgage may be unnecessary, unless the new policy will have Living Benefits.
-

Best Life Insurance Options for Mortgage Protection

1. Term Life Insurance

- Best for: Affordability and simplicity.
- Match the term length to your mortgage (e.g., 15, 20, or 30 years).
- Coverage amounts can be set to match or exceed your mortgage balance.
- Some insurers to consider: National Life Group, Banner Life, Protective Life.

2. Whole Life or Universal Life Insurance

- Best for: Long-term financial planning and permanent coverage.
- Provides lifetime coverage with a cash value component.
- More premium required but can serve as both mortgage protection and a wealth-building tool.
- Some insurers to consider: National Life Group, Corebridge Financial, MassMutual, Guardian Life.

3. Mortgage Protection Insurance (MPI)

- Best for: Simplified approval.
- Often sold by lenders to pay off your mortgage directly.
- Tied specifically to your mortgage balance (No extra payout for other needs).
- Typically more expensive and less flexible than term life insurance.

4. Life Insurance with Living Benefits

- Best for: Comprehensive coverage that protects against critical illness, chronic, or terminal illness.
- Provides access to a portion of the death benefit while you're alive if you face serious health challenges.
- Some insurers to consider: Fidelity & Guaranty, Corebridge Financial, National Life Group, and Transamerica

5. No-Medical-Exam Life Insurance

- Best for: Quick approval and convenience.
- Ideal for those with health concerns or who want to skip a medical exam.

- Coverage limits are usually sufficient for most mortgages (up to \$2 million).
 - Some insurers to consider but are not known to have Living Benefits: Bestow, Ethos, Ladder, TruStage, and Banner Life
-

Key Considerations

Coverage Amount:

- Ensure the policy amount matches your mortgage balance and includes room for other expenses (e.g., property taxes, maintenance, or household bills).

Term Length:

- Choose a term that aligns with your mortgage payoff timeline. For example:
 - 15 years for a 15-year mortgage.
 - 30 years for a 30-year mortgage.

Riders:

- Add-ons like Living Benefits, Waiver of Premium for Disability, and Return of Premium can provide additional protection.

Beneficiary:

- The insured can name a family member (e.g., spouse or child) as the beneficiary.
-

Which Option is Best:

- For most homeowners, term life insurance is the best choice due to its affordability, flexibility, and ability to customize the coverage to match the mortgage term.
- For those seeking lifetime protection and additional wealth-building options, whole life or universal life insurance may be worth the higher premiums.

Important Question:

"When you purchased your home, you took an important step in securing your family's future. But have you thought about what would happen to your home and your loved ones if the unexpected occurred? A Home Mortgage Protection Life Plan ensures your family can remain in the home you've worked so hard to provide—no matter what life throws your way."

👉 Key Points**1. Protect Your Family's Home**

- "This policy ensures that your loved ones won't have to worry about making mortgage payments if something happens to you. They'll have the financial security to stay in the home they cherish."

2. Flexible and Affordable

- "Unlike lender-offered mortgage insurance, a life insurance policy provides the death benefit directly to your beneficiaries. They can use it to pay off the mortgage, cover other debts, or even save for the future."

3. Match Your Needs

- "We can customize the coverage amount and length to match your mortgage term—whether it's 15, 20, or 30 years—so you're only paying for the protection you need."

4. Living Benefits for Added Security

- "Many of our policies include living benefits, allowing you to access the funds if you're diagnosed with a critical, chronic, or terminal illness. This helps you keep up with mortgage payments even if life takes an unexpected turn."

5. No-Medical-Exam Options

- “If you prefer a faster, hassle-free process, we offer policies with no medical exams. Approval can be as quick as 24–48 hours, and coverage limits are often high enough to fully protect your mortgage.”

Common Concerns of Insurance Buyers

Concern 1: “I already have life insurance.”

- *“That’s great! But does it have Living Benefits that fully covers your mortgage liability and your family’s other financial needs, like education or living expenses? A separate policy ensures the home is specifically protected without reducing funds for other priorities.”*

Concern 2: “I’m healthy—why do I need this now?”

- *“Locking in coverage now guarantees lower premiums, while you’re still young and healthy. Waiting or when you get sick can make coverage more expensive or harder to obtain. Risks come with age. The older the proposed insured, the higher the premium can be.”*

Concern 3: “This sounds expensive.”

- *“Term life insurance is surprisingly affordable. For example, a healthy 35-year-old can secure \$250,000 of coverage for a 20-year term for less than the cost of a couple of lattes each week.”*

Policy Comparison Framework

Focus on 3 key criteria about what you care the most: affordability, flexibility, and added benefits. Here's how to structure the comparison:

Feature	Term Life Insurance	Whole Life/Universal Life	Mortgage Protection Insurance (MPI)
Cost	Affordable	Higher premiums	Often more expensive than term life
Flexibility	Highly flexible	Covers both mortgage & other needs	Tied to mortgage balance; less flexible

Feature	Term Life Insurance	Whole Life/Universal Life	Mortgage Protection Insurance (MPI)
Beneficiary	Family	Family	Lender (benefit pays directly to the bank)
Living Benefits	Often included	Often included	Rarely included
Cash Value Component	None	Yes (grows over time)	None
Approval Process	Simple, fast options	Takes longer, may require medical exam. No-Medical may be available.	Simplified underwriting; no customization

Example Options

Option 1: Term Life Insurance

- *“For a 30-year mortgage, we recommend a 30-year term life policy for \$300,000 (or your mortgage balance). This will ensure full coverage of the home while keeping premiums low—typically between \$100–\$150 per month, depending on age and health of the insured.”*

Option 2: Indexed Universal Life Permanent Policy (with Living Benefits)

- *“This option includes critical, chronic, and terminal illness coverage, so if you experience a heart attack, stroke, or cancer, you can access up to 90% of the death benefit to cover expenses like mortgage payments & household needs while you recover.”*
- *“If you want permanent coverage with cash value accumulation, an IUL life policy can protect your mortgage while doubling as a financial tool. The premium is higher, but it builds tax-advantaged savings over time.”*

Next Steps for the Proposed Insured

1. Free Consultation

- *“Schedule a time to review your mortgage details, financial goals, and budget to identify the best solution for you and your family.”*

2. Quote Comparison

- *“Prepare a few tailored options, so you can compare premiums and benefits side by side.”*

3. Application Process

- *“Once you select a policy, insurance agent will handle the application. With no-medical-exam options, coverage can often start in just a few days.”*
-



Chapter 13: Frequently Asked Questions

Living Benefits Life Insurance policies can seem complex, but understanding the most common questions and insurer-specific features can help policyholders make informed decisions. This chapter addresses frequently asked questions and highlights features from leading insurers, including American National, Fidelity & Guaranty, Transamerica, and National Life Group.

Common Questions About Living Benefits

1. Are living benefits included in all life insurance policies?

No, living benefits are typically optional riders that can be added to a policy. Some insurers, such as Fidelity & Guaranty, American National, AIG, and National Life Group, include certain living benefits in their standard policies, providing added value without requiring additional riders.

2. Do living benefits increase the cost of a policy?

Depends on the Insurance company, adding living benefits riders generally increases premiums. However, the additional cost is often outweighed by the financial protection they provide. For example, Transamerica offers flexible options where policyholders can select benefits tailored to their needs, helping manage premium costs effectively.

3. What conditions qualify for critical illness benefits?

Conditions vary by policy but often include cancer, heart attack, stroke, Alzheimer, renal failure, and major organ failure. Fidelity & Guaranty, for instance, provides a comprehensive list of qualifying illnesses under their critical illness rider, ensuring policyholders are well-covered for a range of scenarios.

4. What if a Proposed Insured have a Pre-Existing Condition?

A stroke, diabetes, heart attack, or bypass surgery does not mean life insurance is out of reach. By exploring Guaranteed Issue Whole Life (GIWL) or Simplified Issue policies, managing health effectively, and working with specialized insurers, individuals can secure coverage to protect their loved ones. While premiums may be higher than expected, securing coverage is a wise decision—one that offers financial protection and peace of mind rather than facing the risk of having none at all. AIG / Corebridge Financial does carry GIWL. Be sure to consult a licensed advisor or insurance agent.

Example of Insurer-Specific Features

Disclaimer: *The features mentioned in this chapter are subject to change at the respective insurance companies' discretion or due to updates in the design of life*

insurance products. Always review the latest policy documents and consult with a licensed insurance professional for current details.

American National

- **Accelerated Benefit Riders:** Automatically included in many policies at no additional cost, covering critical, chronic, and terminal illnesses.
- **Flexibility:** Policyholders can use benefits for any purpose, from medical expenses to daily living costs.
- **Comprehensive Coverage:** Covers a broad range of illnesses, ensuring robust financial protection.

Fidelity & Guaranty

- **Indexed Universal Life Policies:** Living benefits are included as part of these policies, offering critical illness, chronic illness, and terminal illness coverage.
- **Competitive Premiums:** Their living benefits riders are competitively priced, making them accessible to a wide range of policyholders.
- **Ease of Access:** Policyholders can activate benefits with minimal hassle, ensuring quick support during emergencies.

AIG / Corebridge Financial

- **Living Benefit Riders:** Available with term, whole, and universal life policies, covering critical, chronic, and terminal illnesses.
- **Customizable Options:** Allows policyholders to select specific benefits, balancing premium costs with coverage needs.
- **No Additional Cost Options:** Some policies include living benefits riders without additional charges, providing extra value.

National Life Group

- **Built-In Living Benefits:** Offers accelerated benefits for terminal, chronic, and critical illnesses as part of their standard policies.
- **Innovative Solutions:** Includes unique features like the ability to access benefits for non-traditional uses, such as business continuation planning.

- **Focus on Flexibility:** Allows policyholders to use benefits for virtually any purpose, from medical care to mortgage payments.
-

Key Takeaways

- **Customization:** Living benefits vary significantly among insurers. It's essential to review policy details and riders from providers like American National, Fidelity & Guaranty, AIG/Corebridge, and National Life Group to find the best fit for your needs.
- **Eligibility:** Understanding what conditions qualify for living benefits ensures that policyholders can access funds when they need them most.
- **Cost vs. Value:** While living benefits may increase premiums, they provide invaluable financial support during life's most challenging moments.

By exploring insurer-specific features and asking the right questions, policyholders can maximize the value of living benefits and achieve greater financial security.



"Plans fail for lack of counsel, but with many advisers they succeed." –
Proverbs 15:22

Conclusion

👉 The Importance of Planning Ahead

Life is unpredictable, and financial security is essential for navigating unexpected challenges. Living benefits life insurance offers a proactive approach to protecting yourself and your loved ones from financial hardship during difficult times.

👉 Taking Action to Secure Your Financial Future

Don't wait until it's too late. Evaluate your insurance needs, explore living benefits policies, and consult with a trusted advisor to make informed decisions. With the right policy, you can enjoy peace of mind knowing you're prepared for whatever life may bring.

For your tax reference:

👉 *The IRS Code Section 101(a)(1) excludes life insurance death benefit proceeds from gross income, making them generally **tax-free** to the beneficiary. This applies when the proceeds are paid due to the death of the insured and the policy was not*

transferred for value (a scenario known as the "transfer-for-value" rule, which could trigger taxation).

*For living benefits (such as accelerated death benefits for terminal, critical or chronic illness), **IRS Code Section 101(g)** often allows these payouts to also be received tax-free under specific conditions.*

It's always advisable to consult a tax advisor to understand how these rules apply to individual situations.

Closing Statement

As we reach the end of this guide, I want to take a moment to thank you for investing your time in understanding the incredible value of Living Benefits Life Insurance. Your choice to explore this powerful financial tool is not just a decision—it's a profound commitment to yourself and your loved ones.

By investing in Living Benefits Life Insurance, you've taken a proactive step to protect your family's financial future, ensuring they're supported during life's most unpredictable and challenging moments. This decision reflects your wisdom, foresight, and deep care for the people who matter most to you.

Life is full of uncertainties, but with Living Benefits Life Insurance, you've chosen to face those uncertainties with confidence. You've ensured that you can focus on recovery, maintain dignity during aging, and leave a legacy of love and security for your family. You've prepared for life's "what-ifs" in a way that offers peace of mind, hope, and stability.

From shielding your loved ones from financial distress to empowering yourself with options during critical times, your decision to invest in Living Benefits Life Insurance is a testament to your love, responsibility, and strength. It's a choice you can truly be proud of—a choice that puts family first.

Thank you for allowing this guide to be a part of your journey. I hope it has provided you with the clarity and confidence to embrace Living Benefits Life Insurance as a cornerstone of your financial security.

With heartfelt appreciation,



Ed Esteban, Author

A Father, Provider, Insurance Agent, Mortgage Broker, and most importantly, someone who genuinely cares about families and the people in our communities.

CA LAH 0F98307 | NMLS MLO 310302

A Prayer for Your Guidance in Decision-Making

Heavenly Father, we seek Your wisdom and guidance as we make important decisions to protect our families and our future. Grant us clarity and peace in choosing the right path, and may our choices reflect the love and responsibility we hold for those we cherish. Bless us with strength, understanding, and the assurance that we are making the best decisions for our loved ones. Amen.

Contact Information:

Ed Esteban
Principal Financial Strategist
Mortgage Loan Officer NMLS 310302
Life Insurance Agent CDI 0F98307

Direct Phone (707) 344-6062
✉ ed.esteban@lc.primegatefinancial.com
🌐 LoansByEdEsteban.com

Mailing Address: 131 Sunset Ave, Ste E-187, Suisun CA 94585

PRIME GATE FINANCIAL
Tax Strategy • Risk Management • Wealth Planning

AIME
EQUAL HOUSING OPPORTUNITY