Sagicor Life

BACK TO LIST

What is an Index-Linked Life Insurance Policy?

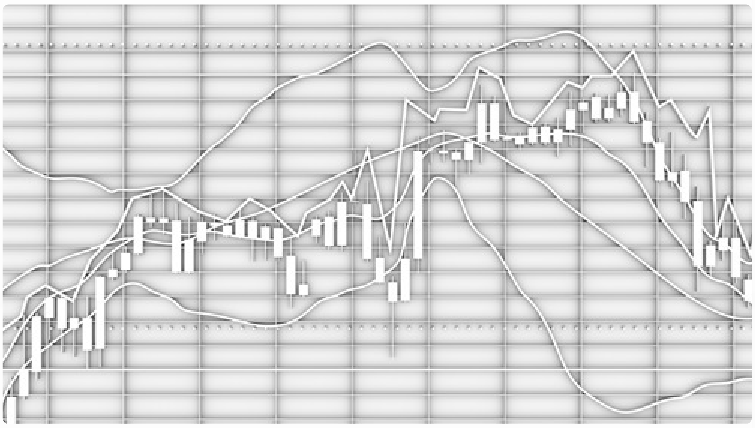
BY Sagicor Life Posted February 28, 2019 In Sagicor Life USA Tips

If you're in the market for life insurance, you've most likely come across some policies that are described as linked to an index. But what exactly does a life insurance policy linked to an index mean? How do you know if that type of policy is right for you? Let us answer a few frequently asked questions to help you better understand the basics about these types of policies.

What is an index?

Simply put, a stock market index (or just index), is a number that measures the value of a group of stocks. As stocks in the group change value, so does the index. For example, if the value of the securities that make up the index go up by 2% then the index will increase by 2%. One commonly used index is the Standard and Poor's 500 (S&P 500®)[1].

How does an index work in a life insurance policy?



You may already know that most permanent life policies have the potential to earn cash value over time – money that accumulates in value during the policyholder's lifetime. In general, these types of policies provide you with a death benefit in exchange for premium payments. While a portion of your premium goes to cover the cost of insurance, as well as other charges, expenses, fees, etc. associated with the policy, part of the premium goes into a cash-value account, earning you a specific rate of interest that accumulates over time and is often tax-deferred[2].

A permanent policy that is linked to an index – such as indexed universal life – means that the amount of interest that may be credited to your policy's cash-value account is based on changes in the value of the index that the insurance company has chosen to invest in.

What are the benefits to this type of policy?

When an index performs well, the cash-value of your policy can be credited with additional, extra interest not available in a policy that credits only a fixed rate of interest. And don't forget, if the market is down and the index is negative, you do not suffer market loss, but index interest crediting could be 0%. Also, this cash-value grows tax-deferred and some policies allow you to withdraw the money for any purpose you like through free-withdrawal provisions and policy loans. However, upon your death any outstanding loans will decrease the amount of the death benefit received by your beneficiaries.

How do I know if this type of policy is right for me?

Life insurance needs differ for everyone. Index-linked policies are often purchased by those with a need for permanent life insurance and an understanding of the pros and cons associated with this type of policy. Because life

insurance is a long-term financial commitment, it's important to understand as much as you can about the different types of policies before making a decision.

The bottom line: In your quest for life insurance, you'll come across a variety of policies. Being familiar with each of them can help you select the policy and coverage that's right for you. If you're stuck or if you just have a few questions, **reach out** to a Sagicor representative. We're here to help.

----

[1] Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P").Sagicor does not provide estate planning, legal or tax advice.

[2] Please consult with a tax and/or legal advisor for information specific to your situation.

Sagicor Life Insurance Company issues life insurance and annuity products. Policies and riders are not available in all states and state variations may apply. Products have limitations and restrictions including surrender charges, contact Sagicor or a Sagicor agent.

Sagicor is rated "A-" (Excellent) by A.M. Best Company (4th best out of 16 possible ratings). This rating is based on Sagicor's financial strength and ability to meet its ongoing obligations.

Sagicor Life Insurance Company (Home Office: Scottsdale, Arizona).