



Life Insurance as a Mortgage Protector

The Company You Keep®

Whether it's for a new home, rental property, or real estate, you received a mortgage because the lender felt comfortable with your income level and reputable financial situation. You are a "good credit risk," and the lender is fairly confident that it will receive its loan amount back, plus interest.

But what happens if you, as the primary income producer, die? Or if you are in a dual-income situation, what happens if one person dies? Besides the emotional trauma, a surviving spouse could experience a significant drop in the household's level of income. This is why many mortgage contracts include a clause that states, "At the death of any

signer, the contract is subject to renegotiation...." The loss of an income source can produce severe financial problems for your family that could lead to possible foreclosure. That's why a number of banks and mortgage companies encourage homeowners to purchase mortgage insurance.

Benefits of Personally-Owned Insurance

Instead of insurance offered through a lending institution, you may want to consider purchasing personally-owned life insurance. Personally-owned life insurance puts you in the driver's seat. By purchasing insurance directly from an insurance company, you own the policy and have full control over your options. As owner, your spouse, not the lender, receives the insurance proceeds at death (assuming your spouse is beneficiary of the policy). Your spouse can decide what course of action to take. He or she can use the proceeds to pay the mortgage in a lump-sum or continue paying it down periodically.

Personally-owned life insurance is portable. This means if you move in a few years, you won't have to replace your insurance. This may save you money since insurance rates usually increase as you get older.

There are also other considerations. Let's say you paid off the mortgage and the mortgage insurance is no longer necessary. Personally-owned life insurance can still provide a valuable insurance benefit. Even if you move to a new home, it is possible to use the existing coverage as part of your new protection needs.



Whose Insurance Makes Sense?

Basically, you purchase mortgage insurance so that, in the event of any untimely death, funds are available to meet any outstanding mortgage balance. But from whom do you purchase the insurance?

When you purchase insurance from a bank or mortgage company, you generally lose all ownership control. In some instances, the lending

institution even pre-prints its name on the beneficiary line of the policy. You pay the premiums and the lender receives the proceeds at the insured's death. Your family receives the deed to the house.

On the surface, this may seem like an equitable solution, but there are several reasons why a surviving spouse may not want to remain in the home:

- The daily reminders of his or her loss may be too difficult for the surviving spouse and family to handle.
- The house may simply be too big to maintain.
- The surviving spouse may want to move closer to friends and family.
- He or she may need to relocate to a better job or school area.
- It may be better at such a time not to pay off the mortgage and retain the tax deduction on the interest payments; the spouse in question may want to pay the mortgage to a point where he or she can comfortably handle the payments and keep the tax deduction of the interest payments.

Wouldn't it be nice to have something to show for your years of consistently paying premiums? A portion of the premiums you pay for permanent insurance coverage builds cash value each year.

Your Insurance Choices

There are two basic types of insurance to choose from — term and permanent.

Term Insurance

Personally-owned term insurance may be an attractive mortgage protector because it lets you purchase a large amount of insurance protection at a competitive price. It was designed to help people purchase the insurance they need at a time when money is tight. Term insurance is also ideal when you only need the coverage for a limited period of time. Some of the features of term include:

- Affordable protection
- Guaranteed death benefit, generally free from federal income tax
- Coverage lasting for one year, five years, or other increments of time
- Generally convertible to permanent life insurance, without providing proof of insurability — generally available within the first 10 years of the term policy¹

Permanent Insurance

Besides term insurance, there are personally-owned permanent life insurance plans you may want to consider. Because these plans provide some form of permanent insurance protection, premium payments will usually be higher than a comparable term policy. The added benefits you receive, however, may justify paying a higher price tag.

For instance, term insurance, whether

it's purchased from a lending institution or an insurance company, builds no cash value. Unless you die within the specified period, your heirs do not receive any insurance proceeds. Wouldn't it be nice to have something to show for your years of consistently paying premiums? A portion of the premiums you pay for permanent insurance coverage builds cash value each year.

Whole Life

Whole Life is one of the most popular types of permanent life insurance. Whole Life can provide the foundation that you can build your family's future upon. With Whole Life, you are insured for your entire lifetime, provided you pay all premiums when due. And while you may initially purchase Whole Life insurance as a mortgage protector, you can access the cash value accumulation² for other means, like college funding. The features of Whole Life include:

- Tax-deferred cash value accumulation
- A level premium that's fixed for life
- Ability to customize a plan by adding optional riders (based on underwriting requirements)
- Eligibility to earn dividends, if and when they are declared by a mutual insurance company³
- Guaranteed death benefit, generally free from federal income tax

A Blended Combination

Some insurance companies now offer innovative plans that combine the guaranteed protection and cash value

accumulation of Whole Life, with the affordability of term insurance. These plans are carefully crafted to meet the needs of today's growing families. As needs change over the years, these plans allow you to convert the term portion into Whole Life. This will help boost your cash value accumulation in later years.

Some of the features of these blended plans include:

- A lower initial premium than a comparable policy of 100% Whole Life
- Flexibility to convert the term portion into permanent insurance
- Tax-deferred cash value accumulation
- Ability to customize the plan by adding optional riders (based on underwriting requirements)
- Eligibility to earn dividends on the Whole Life portion of the plan, if and when declared by a mutual insurance company³
- Guaranteed death benefit, generally free from federal income tax

Can You Afford to Wait?

The answer is simply No. Whether you decide to purchase mortgage insurance through a bank or personally-owned life insurance, the key is to be prepared. There is a real chance that someday one person will be solely responsible for your family's finances. Taking the necessary steps today can ensure your family's financial future tomorrow.

Contact a New York Life agent for a review of your current situation. There is no cost or obligation.

Whole Life can provide the foundation that you can build your family's future upon.

¹ Conversion periods vary by term products.

² A policy's cash value may be accessed via policy loans and/or partial surrenders. Policy loans accrue interest at the current rate. Loans and partial surrenders reduce the death benefit and cash value by the amount of the outstanding loan plus interest or the amount of the partial surrender. If a decision is made to purchase, please see the contract for complete terms and conditions.

³ Dividends are not guaranteed, and past performance is no indication of future performance. Although dividends cannot be guaranteed, New York Life has paid annual dividends for more than 150 successive years.



New York Life Insurance Company

New York Life Insurance and Annuity Corporation (a Delaware Corporation)
51 Madison Avenue, New York, NY 10010
www.newyorklife.com