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LIFE INSURANCE E-mail Print

Variable Universal Life

March 25, 2003

This is essentially a variable-life policy with a wider range of investment options and the added flexibility of being able to raise or lower your premiums and direct as much as you wish into the investment account, where it grows tax free until you take it out. You can pump thousands of dollars a year into a variable-universal-life (VUL) policy, directing most of it to the investment account. If money gets tight, you can throttle back, even stop paying premiums entirely, if there's enough cash value in the policy to cover them.

Like universal life, VUL offers flexibility. Like variable life, it offers no guarantees. If your investments perform poorly, you take the hit, not the insurance company. As with whole-life products, a big chunk of your premium goes for a variety of fees and charges, especially in the first year. It may take a decade or more for the cash value to exceed the premiums you've paid. As life insurance, VUL is expensive; its main attraction lies in the tax-deferred buildup in the investment accounts.

You are a candidate for this kind of policy only if you meet the following conditions:

1. You need life insurance.
2. You have a tolerance for investment risk.
3. You are in a high tax bracket and have maxed out on other tax-

ZIP code		MM	DD	YY
Date of birth				
Gender	<input type="radio"/> M	<input type="radio"/> F		
Coverage amount	<input style="width: 100%;" type="text" value="\$500,000"/>			
Term length	<input style="width: 100%;" type="text" value="20 years"/>			
<input type="button" value="Get Quotes"/>				

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deferred investment opportunities such as [401\(k\)s](#) and [IRAs](#).

4. You can wait at least ten years before you borrow from the policy (to give cash value time to build up).
5. You plan to leave the policy in force for the rest of your life.

If you don't meet all those tests, choose some other kind of life insurance.

What Kind Should You Buy?

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