

FINRA review letter 2007-1010-0167/H

The following adjustments have been made.

Article: Which to buy – term or permanent life insurance

Verbiage modified: Variable life separates the protection from the investment component. The investment can be in investment subaccounts. You can change your premiums and death benefit to suit your current budget.

Verbiage added: Variable life insurance incurs insurance related costs (e.g. mortality expenses) as well as expenses related to the underlying subaccounts.



October 15, 2007

Lisa Mays  
FINANCIAL TELESIS INC  
4340 Redwood Highway Suite #A23  
San Rafael CA 94903

Reference: **FR2007-1010-0167/H**

Org Id :00031012

### REVIEW LETTER

1. Newsletter

Articles:

- Your social security benefits may increase if you survive your spouse
- What is the tax basis of your gifted or inherited house?
- Which to buy – term or permanent life insurance?
- There's an LTC insurance option for beginning retirees
- What type of Trust should you have?

Rules: 2210, VARIABLE

7 pages

Fee: \$100

Total Fee: \$100

Attention: Lisa Mays

It is our understanding based on your October 8, 2007 E-mail to Brian L. Finnell, of the Advertising Regulation Department, that the filing cover sheet included in this submission consists of 5 articles that will be presented in the above-referenced newsletter.

In addition, please be advised that we have reviewed the newsletter with the assumption that the final version of this material will prominently identify the member firm name, Financial Telesis, Inc., in accordance with Rule 2210(d)(2)(C)(i). If our assumption is inaccurate, please advise us, as additional comments will be necessary.

Revisions are necessary for the article titled "Which to buy – term or permanent life insurance?" to be consistent with applicable standards. We offer the following specific comments:

We note the statement "Universal life separates protection from the investment component. The investment can be in securities such as money market and mutual funds." However, since this reference appears to allude to variable universal life insurance, describing the underlying investments as 'mutual funds' creates confusion regarding this type of insurance policy. Thus, to



avoid the potential to mislead investors, contrary to Rule 2210(d)(1)(B) and comply with the guidance offered in IM-2210-2(a)(1), 'Communications with the Public About Variable Life Insurance and Variable Annuities,' this article must be revised to address this issue.

In addition, to offer a fair and balanced presentation, pursuant to Rule 2210(d)(1)(A), a disclosure must remind readers that in conjunction with the insurance related costs associated with variable life policies, this type of insurance is also subject to the expenses of the underlying investments or subaccounts in the policy.

#### Remaining Articles

The remaining articles appear consistent with applicable standards.

We take this opportunity to remind the firm of its responsibility to ensure the accuracy of the information including, but not limited to, Social Security benefits, gift taxes, irrevocable and revocable trusts presented in the newsletter.

If you have any questions regarding these comments, please contact me at (240) 386-4500.

Sincerely,

Derek A. Ashworth  
Associate Supervisor

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**NOTE:** *As a FINRA member, you are responsible for determining whether any communication with the public, including material filed with the Department, complies with all applicable requirements. The views expressed herein are solely advisory and do not constitute findings of compliance with, or violations of FINRA or SEC rules. It is assumed that the material does not omit material facts, contain statements that are not factual, or offer opinions that do not have a reasonable basis.*

## Which to buy – term or permanent life insurance?

If you're approaching or in retirement, you may consider life insurance as part of your financial planning. Life insurance can supply cash to cover final expenses, debts, estate taxes, or a nest egg as your legacy. But what is involved in buying term or permanent life insurance?

First, you'll need to qualify. Most life insurance policies require you to undergo a medical exam essentially to check for high cholesterol and blood sugar levels. Your medical history, hobbies, credit rating, alcohol-related issues and driving record are also of importance. Your age, smoking and prior health issues will increase your premiums.

Second, you need to determine the amount of life insurance you need – i.e. the death benefit given to your beneficiary. If it's to replace your future income stream, then you'd figure your yearly income for as long as you expected to earn. Then you discount it to its present value.

Or you can simply add up all the expenses with the bequests you'd like to cover. Their sum would give the amount you need to buy.

### Choosing between term and permanent life insurance:

Let's do a quick comparison and draw some conclusions. Buying term insurance is buying pure protection for a given term – 5, 10, 20, 30 years – and only that. It's relatively low premiums rates reflect that.

Permanent life insurance covers you for the rest of your life. Most permanent policies offer a savings or investment component in addition to pure protection –and it grows tax free. This additional component increases premium costs. But you'll generally have access to the cash value either through a policy loan, or when terminating the policy.

Three types of permanent policies are whole life, variable life, and universal life. Whole life and universal life are the most common. Whole life relies on level payments and grows your savings component on a guaranteed interest rate. It gives you a guaranteed death benefit.

Variable life separates the protection from the investment component. The investment can be in investment subaccounts. You can change your premiums and death benefit to suit your current budget.

The table below shows the essential differences between Term and Permanent life insurance

<u>characteristic</u>	<b>Term</b>	<b>Permanent</b>
<b>Term of coverage</b>	Fixed- you choose	For your lifetime
<b>Savings/investment Component</b>	No	Yes - cash value
<b>Premium cost</b>	Less expensive	More expensive
<b>Level premiums?</b>	Yes	Yes

Seniors, consider

- Shopping for level premium policies guaranteed over the duration of your coverage. And realize that the cash value of permanent policies doesn't significantly increase for some dozen years.
- Determine how long your need for coverage is and check out multiple companies for the best rates.
- If you can't qualify for medical reasons or your denied coverage, consider a group plan. They don't require medical exams or physicals.

Give us a call or fill out the card. We can show you a full range of policies suited to your needs.

The purchase of life insurance involves costs, fees, expenses and potential surrender charges and depends on the health of the applicant. Not all applicants are insurable. If a policy is structured as a modified endowment contract, withdrawals will be subject to tax as ordinary income and withdrawals prior to age 59 ½ are subject to a 10% penalty. Variable life insurance incurs insurance related costs (e.g. mortality expenses) as well as expenses related to the underlying subaccounts.