

Think about this: “Is term laddering an option to be considered?”

For clients in their 40s and 50s, the need for life insurance might decrease as they grow older. This is because their responsibilities might decrease as children’s college expenses have been repaid and mortgage has been paid off.

Buying term policies of different coverage periods could be a smart decision as the different coverage periods will ensure just the right amount of insurance protection when needed and could involve saving on insurance premiums.

Possible scenarios to think about:

1. Buying lower coverage in the early years could leave the client under-insured, which is definitely not advisable.
2. Waiting to buy additional amounts later might turn out to be more expensive due to client’s health issues.

Example: Mike is 40 years old, has 2 children aged 5 and 10. He has 15 years left to pay on a mortgage. Based on this information, the agent notes that Mike will require approximately

1. \$1,500,000 insurance coverage between ages 40-55 to cover mortgage repayment, college expenses, income replacement and final expenses.
2. \$500,000 insurance coverage between ages 55-65 to cover college expenses, income replacement and final expenses.
3. \$250,000 insurance coverage between ages 65-70 to cover income replacement and final expenses.

Option/s:

1. Mike could purchase a permanent policy for 1.5 million but the costs might be higher than what he can afford (\$8,805).
2. Mike could purchase a 1.5 million 30 year term policy but the cost might be higher than other options available in some cases (\$2,300).
3. Mike could use “term laddering” as follows:
He buys \$750,000 15 year term, \$500,000 25 year term and \$250,000 30 year term policies. The total premiums he pays on all three term policies will be (\$1,730)**

This is just a sales idea for agents and is not recommended for all clients. The individual needs of clients have to be assessed before suggesting the above.

** Mike is considered to be a preferred non smoker for illustration purposes. All premium numbers are with A+ rated carriers available through our agency.

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