

## Creative ways to use term insurance

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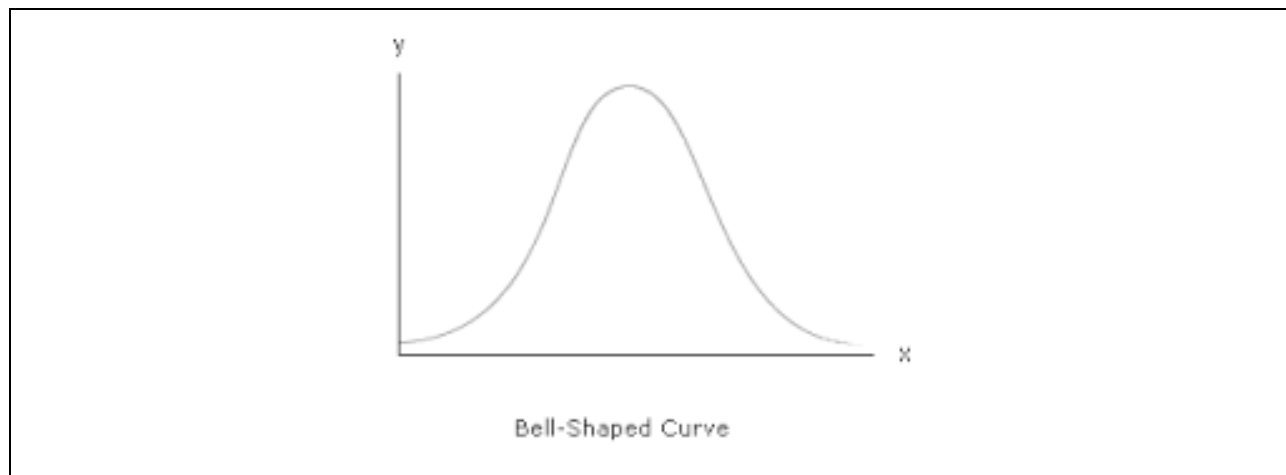
As a General Agent, we clearly see various applications of term insurance to solve the needs of clients.

Below, you will find some creative solutions using products in our portfolio to successfully solve many common and uncommon challenges.

### **I've always looked at life insurance needs being like a bell curve.**

#### **Early Career Needs**

When young, a client will not need much protection as they do not have the responsibilities that approach as we age. A young, single person potentially would cover final expenses, and debts such as credit card and school loans, and potentially other wishes to provide for a charity upon death. Thus, their needs are small.



#### **Mid-Life**

As someone ages, they take on a family and the financial obligations of raising a family. These expenses can include living expenses, mortgages, education and other related obligations. To this end, a client must acquire more insurance to cover these needs. This can be seen in the ascent of the bell curve to its highest points.

#### **Maturity**

As the family matures, many of the financial obligations are relieved and the client can reduce their insurance needs. As they come down from their peak financial needs, their needs mirror the descent of the bell curve.

### **Here are a few ways to resolve these needs using term insurance:**

- 1. Layering or laddering coverage.**

If a client comes to you for advice on a young family, they will have to consider all

discussed above. Clearly, at some point, the children will grow and be out of the house(or so we hope). As a result, you can purchase coverage for specific needs such as college/education costs as a separate policy to cover this specific need. For example, if a client has children say between the ages of 3-8. You can purchase a 20 year term to cover the college expenses exclusively and it matches the financial obligation in the event of death.

If your client has a targeted date that they believe will end their education responsibilities, you can use one of the products that has the specific durations. Any year from 15-30 can be purchased here as well.

You can then purchase other policies to cover the mortgage, income protection and miscellaneous financial obligations to the spouse and other ongoing demands.

Ex. 20 year 500k Term for education needs. \$1 million 30 year term to cover financial obligations to the spouse as well as final expenses and any debt(mortgage, credit card, auto etc.)

## **2. Reducing the death benefit.**

There is a new product on the market that allows a client to reduce the death benefit any time after the 3<sup>rd</sup> year. So using the previous example, the client could purchase a total of \$1.5 million of 30 year protection. As the financial obligations fall off, client can request reduction in the death benefit to reflect their true financial obligations. Premiums will adjust for the new protection amount accordingly.

Ex: Client purchases a \$1.5M term. They can reduce in year 20 say to \$500k to reflect education obligations being removed.

## **3. Durations of coverage.**

There is a product available that allows you to select off year durations of coverage. It allows you to purchase a policy that allows for durations in length from 15-30. So if a client has 17 years till their child graduates, you can purchase a policy with this exact duration. Or a mortgage balance has 23 years remaining till maturity they can match this to their loan. This will be a lower premium that traditionally having to purchase a 20-year policy, pay the higher premium, and cancel in year 17.

If you have clients that could use some assistance using these solutions mentioned, please give us a call. We can help you find the right products and carriers that meet their needs today and going forward.

Applying sound sales concepts like these allows you as the agent to move from a purely transactional agent into a consultative capacity. This change will bring added value to your practice and establish you as a leader in providing insurance solutions.

Additionally, utilizing quality term products and companies will allow for conversion as well as other features to address needs if they change going forward.

Lastly, hard work with sound solutions will allow you to successfully ask for referrals.