

RFS News

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Let's Talk Term

Most Insurance buyers think term is the best, least expensive way to buy Life Insurance. Is it really though?

A 40 year old male, can buy a \$100,000.00 20 Year Level Term for \$22.26 a month. In the event that he does not die he will have paid \$5,342.30 for 20 years worth of protection. That is money that is gone forever. However, he can purchase the same policy with ROP (Return Of Premium) for an extra \$27.10 a month, and get a **Tax-Free** check for \$11,220.00 at the end of 20 years, if he has not passed. He would have to earn an annual effective rate of 5.01% on his \$27.10 a month after taxes in order to have a return of \$11,220.00 in 20 years.

Now you decide if you think it is worth it to pay an extra \$27.10 a month for a return of \$11,220.00, or not. Can you think of another way to invest the money for a guaranteed rate of 5.01% Ask your clients if they would prefer to purchase their Insurance the "Old Fashioned" way (pay your premiums for 20 years with no return if you do not die), or would they prefer the "New" way (pay a little more and have their annual premiums refunded at the end of 20 years)?

Let's look at another example. A 45 year old female with HBP, and taking a pill a day for diabetes, non-nicotine, can purchase a \$130,000 20 year level term, for \$45.57 a month. She can purchase that same policy with ROP for an extra \$30.10 a month. She would have to get annual effective rate of 7.5% in order to have a return of \$16,274.00 at the end of 20 years.

Another way to look at it is that the average person who needs \$100,000.00 or more is generally purchasing term to cover such things as mortgages, credit cards, bills concerning children, etc. For the most part those are the kind of debts that most people expect to have paid off in 20 to 30 years. However, they will still have to worry about covering final expenses, and funeral cost. Those are the kind of cost you can cover with the average Return of Premium of \$10,000.00 to \$25,000.00.

So ask yourself, "Which way is truly better for my clients; Term that only allows them a benefit if they die, or Return of Premium that offers them a benefit if they live?"

Remember to use Assurity Life's 20, or 30 year Term with Return Of Premium, for your clients in good health, or United Home Life for your unhealthy clients. Your customers will thank you!

*** Return of Premium refunds are based on annual premiums. If you are paying monthly premiums, you will not be refunded 100% of your premiums paid. Benefits paid can also be affected by benefits paid out through other riders. Riders available at additional cost. Not available on 10, or 15 year terms. Not all riders are available in all states**