INTOUCH

Knowing what to do makes all the difference.

Fall/Winter 2024

'Tis the season to "layer up" on protecting your loved ones.

As seasons change, it's the perfect time to rethink how to protect your family financially. Just as layering clothes protects you from the cold, layering term life insurance policies can offer flexible, comprehensive financial protection for your loved ones—though it's important to remember that this strategy provides temporary coverage and won't build cash value.

What is term insurance layering?

Term insurance layering means combining multiple term life policies with different coverage lengths and amounts to create a customized plan that meets your evolving financial priorities. Instead of buying one big policy to cover everything, you can choose policies that fit the specific stages of your life. This way, you get the right amount of coverage at the right times, saving money and adding flexibility.

For example, you might choose to layer a yearly renewable term (YRT) policy with a 15-year level term policy. The YRT policy offers higher coverage during times of short-term financial responsibilities, like paying off a car loan. The premium for this policy starts lower, but increases each year.

(continued on back page)

Photo

I'm here for you...

Please enjoy this complimentary newsletter. If you have any questions or would like to get in touch, please call me.

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'Tis the season. (continued)

Meanwhile, the 15-year term policy provides steady coverage for longer-term obligations, such as paying down a mortgage or funding college cost. By combining these policies, you benefit from substantial coverage during the years when your financial responsibilities are the highest, without committing to higher premiums for the entire duration. As your short-term needs decrease, you can reduce or eliminate the YRT policy, leaving you with the more affordable protection of the 15-year term policy.

This strategy allows you to adjust your coverage to your changing life stages, giving you just the right amount of protection without overspending. However, layering still represents limited-term coverage, and will not build cash value like a permanent life insurance policy. This means that although it's a cost-effective way to protect your family, it won't provide the lifelong financial benefits and cash accumulation that come with permanent insurance.

Customize your coverage

There are many kinds of term insurance to choose from, making it easier to match your coverage to your goals. For example, imagine you want to make sure your mortgage is paid—and your childcare costs are covered until your kids start school. By layering a 20-year term policy with a $200,000 benefit, and a yearly renewable term policy with a $250,000 benefit, you can get the protection you need without paying for extra coverage. This approach not only customizes your protection, but also allows you to adjust your policies as financial responsibilities change over time. Working with a financial professional can help you identify the right policies and terms to fit your goals.

Flexibility and savings

An added bonus is that some term policies let you convert your term coverage to a permanent policy. This means that if your situation changes—e.g., you now want lifelong protection or want to build cash value for the future—as an existing term policy owner, you can upgrade without a new medical exam.

Protecting your future

Layering your term insurance is about more than just protection—it's about achieving peace of mind while keeping your coverage affordable. It's knowing that your loved ones are covered without straining your budget. This solution helps you optimize your financial strategy for today and the years to come—offering a cost-effective way to secure your family's future.

Have questions or need more information? Contact me to discuss how a layered term approach can work for you. I'm ready to help you explore your options, and create a plan tailored to your unique situation.

If you have questions, feel free to reach out to me at your convenience.

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Get ready for open enrollment:
Making the most of employer health benefits.

If you're a salaried employee with a company that offers benefits, it can be easy to set it and forget it if they roll over year to year. However, it's important to review your choices from time to time to make sure they're still aligned with your needs—and that you're taking full advantage of the benefits your company has to offer. Most companies begin their yearly open enrollment periods in either October or November,[1] so it's the perfect time to review and optimize your benefit selections.

Review your health history.

Take a close look at your current health plan. Does it still meet your family's needs? Life changes such as having a child, getting married, or facing health issues may require plan adjustments. Review your coverage and out-of-pocket costs, and verify that your preferred healthcare providers are still in-network.

Evaluate your retirement allocations.

Look at your statement from the previous year and think about whether you're on track for retirement. Are you happy with the investments you selected? Are there new or better investment options in your company's defined contribution plan? If your company offers both, have you considered whether a Roth or a traditional IRA is the best fit for you?

Look at what your company offers.

Beyond health and retirement, employers often provide a range of other financial benefits that can contribute to your overall well-being. For instance, Flexible Spending Accounts (FSAs) allow you to set aside pre-tax dollars for healthcare or dependent care expenses. Employee Assistance Programs (EAPs) offer a variety of services, including mental health counseling, legal assistance, and financial planning resources. If you're considering higher education for yourself or a family member, many employers offer tuition assistance, and some even have dedicated scholarships for college-bound children of employees.

Select the benefits that work for you.

Think carefully about what you need most from your employee benefits plan. Is it comprehensive coverage for a chronically ill family member? Do you need college tuition assistance for your child? Many companies allow you to tailor your benefits to your specific needs. You should also compare costs associated with different healthcare plans. For example, if you're in good health and rarely go to the doctor, you may want to consider a higher-deductible plan with lower monthly premiums. It also makes sense to coordinate coverage with your spouse, who may be eligible for their own workplace benefits.

Open enrollment gives you a once-a-year opportunity to reevaluate your coverage and make new selections as necessary. Fortunately, you don't have to make these decisions alone. As your agent, I can help you review your options and choose the benefits that will work best for the foreseeable future.

[1] Justin Held, CEBS, International Foundation of Employee Benefit Plans, October 6, 2020. https://blog.ifebp.org/typical-open-enrollment/

Mutual vs. shareholder-owned insurance companies:
What's the difference?

If you take a good look at insurance companies, you will start to notice that they are divided into two main categories: mutual and shareholder-owned. And while most people probably never give this distinction much thought, it's actually an important factor to consider when comparing coverage. Here are just a few of the differences between the two and how they could impact you as a policy owner.

Ownership and accountability

Shareholder-owned: As the name suggests, a shareholder-owned insurance company is owned by investors who have a financial interest in the company. Since shareholders have the right to elect board members and vote on key issues, they can help determine the direction of the company.

Mutual: With a mutual insurance company, there are no shareholders. Rather, participating policyholders are members of a mutual association. This means it is solely accountable to the people it serves.

Mission and purpose

Shareholder-owned: The primary goal of these insurance companies is to maximize profits and increase shareholder value. As a result, the needs of investors are always top of mind and taken into consideration whenever business decisions are made.

Mutual: In contrast, mutual insurance companies focus on maintaining the business and meeting the needs of policy owners. Since they aren't indebted to shareholders, mutual companies are free to do what's best for the long-term interests of clients.

Distribution of profits

Shareholder-owned: Any profits earned by shareholder-owned companies will be used to pay investors a dividend, buy back stock, or improve the company. In most cases, profits do not directly benefit customers or policy owners.

Mutual: Some of a mutual life insurance company's earnings are returned to participating policyholders in the form of dividends (which are understood to be tax-advantaged returns of premium). Earnings are also used to strengthen the company's reserves (which help pay claims) and offset policy costs.[1] Dividends allow policy owners to share in the financial success of the company.

While it's possible to get quality coverage from both mutual and shareholder-owned insurance companies, it's easy to see that one business model can place a higher priority on policy owner interests. If you'd like to learn more about the advantages of mutuality, just let me know.

[1] Dividends, when declared, are available on eligible policies and are not guaranteed.