

Don't Leave Without It!

Important Questions About Life Insurance

BY ANN GILBERT, ADVERTISING AND MARKETING CONSULTANT

As a young service member facing deployment, this might be the first time that you are considering life insurance coverage. It's true that Servicemember's Group Life Insurance (SGLI) provides active duty service members with \$400,000 of insurance, which is automatically deducted from your military pay. Although this might seem like a lot of insurance, it is not mandatory and there are other important factors to consider.

The government's SGLI insurance is a good product, but it does not cover all the bases. Supplemental group term life insurance sponsored by a military association can provide what SGLI does not: adequate spousal coverage; child coverage at no additional cost; a plan to provide a continuing monthly income; and portability that will preclude a premium increase or need to provide proof of insurability when you leave the service.

WHAT TYPE OF INSURANCE DO I NEED?

Term insurance is the best plan for young service members who want to provide their families with the most insurance protection for the least cost. Level term insurance plans provide a level death benefit, while increasing your premium at certain age points as you get older, usually every five to 10 years. Look for 10-year age bands to lock in rates for longer periods.

With lump sum group term life insurance you purchase a specified amount of coverage for a definite number of years. For example, Military Benefit Association offers MBA Term 90. With this plan, a death benefit is paid until age 90.

IS THERE MORE THAN ONE TYPE OF TERM INSURANCE?

Decreasing term insurance offers a lower death benefit as the insured becomes older. The premiums remain the same.

A monthly income plan provides a monthly payment to your family. This plan continues to pay a monthly benefit after the lump sum benefit from a standard term policy has been distributed.

HOW MUCH INSURANCE DO I NEED?

You are probably worth more than you realize and chances are the SGLI coverage is not enough.

A recent study by the American Council of Life Insurers reports that workers between the ages of 25 and 44 on the average have life insurance of only 27 % of the Human Life Value — far short of what is needed to ensure that your family will be able to continue living a lifestyle that you would want them to live.* In addition, in a variety of research projects with highly respected economists, syndicated columnist Scott Burns** reports that:

- n Virtually all households are underinsured
- n The most likely households to be underinsured are those with younger spouses, ages 22 to 39, and

- n There is almost no relationship between the amount of insurance people have and the amount they need.

THINK ABOUT WHAT YOUR OWN LIFE IS WORTH

- n Multiply the number of years you plan to work times your present or anticipated salary.
- n Add up your annual expenses (housing, food, utilities, transportation, health care, etc.) and multiply that figure by the number of years you plan to work.
- n Include the cost of educating your children.

These figures can be startling, and that is why it is important to review your life insurance needs now.

IS THERE ANOTHER SOURCE FOR INEXPENSIVE LIFE INSURANCE?

Yes! There are several military associations that sell group term life insurance at competitive rates and offer benefits of membership which the SGLI program does not offer.

Purchasing insurance coverage through a military association will ensure that you have portable coverage that you can take with you when you leave the service at the same affordable cost. You do not have to convert your plan to the more expensive Veteran's Group Life Insurance (VGLI). With the government plan, if you do not convert to VGLI within 120 days, you have to reapply for insurance.

SGLI offers only \$100,000 of spousal insurance and \$10,000 of child coverage. Military Benefit Association (MBA), for instance, sells spouse coverage up to \$250,000. In addition, children can receive coverage up to \$12,500 at no additional cost to the member.

LOOK FOR MORE BENEFITS FROM MILITARY ASSOCIATIONS

There are additional benefits from purchasing insurance from an association and becoming a member. Membership benefits might include scholarships for children in college, travel benefits, car rental discounts, mortgage loan assistance, and supplemental medical and home health care benefits.

When you consider life insurance be sure to look at the many options to the government SGLI plan. Many associations offer plans with competitive rates, portable coverage, higher amounts of family coverage, and other attractive benefits to improve your finances and your family's lifestyle.

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For more information, visit www.militarybenefit.org or call (800) 336-0100.

* Life and Health Insurance Foundation for Education; LIFE's Human Life Value Survey, 2004

** Scott Burns, syndicated columnist, Dallas Morning News, "Scott Burns, Software can gauge your life insurance needs."