

# Income protection with life insurance

## Case study

Using life insurance to help  
preserve your client's lifestyle

### Quick look

Anyone who has loved ones who depend on them can benefit from including life insurance as part of their overall financial plan. The death benefit provided by life insurance can help beneficiaries maintain their established lifestyle and achieve financial goals in the event of the lost income of a wage-earner. In the event of the premature death of a non-wage-earner, the death benefit can help beneficiaries acquire services that would have otherwise been fulfilled by that individual.

### The situation

Your clients, husband and wife, are both 45 years old and are the proud parents of a 14-year-old daughter and a 11-year-old son. The couple wants to ensure that the family's future needs are met. Although they've made some good plans, they are concerned about financially protecting their family should either of them die prematurely.

The husband is a software engineer who earns a comfortable salary with a benefit package that includes health insurance, a 401(k) plan with a company match, and life insurance coverage equal to his annual salary. He is required to travel for his job about 12 or so times each year. He and his wife have 15 years left on their mortgage and make a point of contributing regularly to their children's college funds.

Having previously worked in the accounting industry, the wife runs a part-time bookkeeping business at home. This gives her more time to manage household duties, including transporting her children to various activities. Both are grateful that she's able to manage their household and be home with their children, especially while her husband is away.

***Is there a way for your clients to help ensure that their family can maintain their lifestyle in the event of income loss due to the unexpected?***

## A solution

Your clients' first priority is to make sure that the family can endure the loss of the husband's income since they realize that the life insurance provided by his employer may not be sufficient to meet their long-term needs. They also consider the valuable contributions that the wife makes to the family. Lastly, they want to make sure that the cost of coverage will fit easily into their budget.

North American's life insurance for income protection grid can help you estimate the amount of coverage that would be needed to replace the husband's income until his planned retirement at age 65. You can also factor in everyday expenses, the home mortgage, savings plans, and the cost to obtain the various services the wife provides for the household on an annual basis.

For the husband, a 20-year ADDvantage<sup>®</sup> Term policy can provide coverage through the remainder of his working years. Additionally, a 15-year ADDvantage Term policy can provide shorter-term coverage until the mortgage is paid off. Since their children will have likely completed their education by their early 20s, a 10-year ADDvantage Term policy is recommended for the wife. She notes, however, that she would like to revisit that coverage in the future since she may return to full-time work once her children are no longer at home.

The following benefits were outlined:

- Term insurance is one of the most economical ways to obtain life insurance protection, and the guaranteed level premiums<sup>1</sup> can easily be built into your clients' budget.
- The duration of coverage can be customized to meet the family's needs.
- A portion of the death benefit can be advanced in the event of a qualifying illness.<sup>2</sup>
- Custom options, including the ability to waive premiums if the insured becomes totally disabled, may be added for an additional premium.<sup>3</sup>
- Should needs change, the term insurance policy can be converted to permanent coverage, generally throughout the level premium period, without a physical exam, subject to the terms of the policy.<sup>4</sup>

## Need help with a life insurance income protection case?

Contact your **MGA** for additional support!

1. After the level premium period, premiums will increase annually, but will never exceed the maximum annual premium shown in the policy.

2. Subject to eligibility requirements.

3. The Waiver of Term Premium for Disability Rider is available up to issue age 59 and a maximum of Table 4 rating. The rider expires at age 65.

4. Conversion is available throughout the level premium period or through age 74 (69 for 30-year term), whichever is earlier, but never less than five years.

**Agents offering, marketing, or selling accelerated death benefits for chronic illness in California must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California that includes this comparison. Comparison is for solicitation purpose only, not for conversions.**

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