

# Episode #167: The Costs that Come with Waiting for a Life Insurance Policy

## Video Transcription

Hi, welcome to this week's episode of "Money Script Monday." My name is Laurence Williams, and today we're going to talk about something very near and dear to my heart, and that is the cost that comes with waiting for a life insurance policy.

Now this year has been incredibly volatile, with lots of highs and certainly lots of lows. And whenever you have that, there comes uncertainty, naturally. With uncertainty, you have fear. Unfortunately, at the beginning of this year, we had a client that was paralyzed by that fear. He had applied for a life insurance policy, an indexed universal life that he wanted to use for retirement income, but he also wanted that tax-free death benefit for his kids and his family. At the beginning of the year, he was approved; however, he was approved at a substandard rate class. Despite our recommendation to have the policy in force, he wanted to forgo that option and wanted to reapply in a couple of years. Unfortunately, in April, he did contract COVID-19, and it saddens me to tell and share that he actually passed away in June.

Now, this is something that is far too often common in our industry and really is the inspiration for this topic today is to give you the tools to make an informed and well-educated decision on your future, specifically as it comes to life insurance. Now in the examples that we're going to talk about today, we're going to look at an indexed universal life, look at the differences between waiting, and the differences in risk class.

As we take a look here, we have an individual who will be contributing \$24,000 year after year until age 64. Again, using this to supplement his retirement income, he will draw down at age 65 to 100 for retirement. A couple of things we assumed here is we assumed a 6% interest crediting year after year. We're going to take a look now at the graph as far as how that annual income looks over time.

As you can see in the green here, this is the original plan. We have a 45-year-old male approved at standard non-tobacco. And with this plan, he will be generating \$68,124 per year with a cumulative income of \$1.43 million. Now, if this same individual just waits 5 years, so he waits until he's age 50, let's take a look at what that does to his policy and his retirement. As you can see here on the graph, we virtually cut his retirement in half. He now is only generating \$39,343 per year with a cumulative premium of \$826,203 at age 85.

Now, let's take a look at this last example. In this example, he waits again that 5 years, so instead of taking it at 45 he waits until 50. But now at 50, say he doesn't get that standard non-tobacco rating. He is now rated standard tobacco. In this scenario, he's now generating \$34,246 and has a cumulative premium of \$719,796 at age 85. The purpose of illustrating this is to show where the discrepancies are and where the differences are in waiting. As we can see in the rate class, there isn't that big difference between the standard non-tobacco and standard tobacco rating. Really where we see the most significant difference is waiting those five years.

Now I do have some good news. You certainly aren't alone in making these types of decisions. By working with an independent financial advisor, you are already ahead of the game, preparing for your family's future and your own. One of the advantages of working with an independent financial advisor is that they're in a position to help you effectively structure your policy so that it meets your needs. In addition to that, they're going to be working with you year after year to ensure that your policy is performing the way it needs to. And if there's any changes or any new bells and whistles in your policy, they're going to do a great job at helping you understand what those are.

Last but not least, one of my favorites is that working with an independent financial advisor, they're in a position to shop your case with a multitude of carriers. They're not handcuffed to just one carrier and one product. Often, we find financial advisors sell a one-pill-fits-all mentality. And working with an independent financial advisor, that's something that you're not going to experience.

In closing, I hope we were able to shed some light on financial services and prepare for retirement. Hopefully, you have some of the tools here to find clarity and help you have more confidence and regain control over your family's future and your own. Thanks for watching.