

ASK THE MEDICARE SPECIALIST

Q: I have a question about life insurance. Does it make any sense to convert a term policy into something else prior to me turning 70, when my plan term ends and I'll be left without any life insurance?

A: When I opened The Health Insurance Store, I only wanted to focus on health and Medicare insurance, products that I believed, and still do, are an absolute necessity. I took this approach because I wanted to make sure the agency was always as knowledgeable as possible, a master of one trade instead of being a Jack of them all. I've been approached to sell all sorts of other types of insurance and never wanted to "dabble" in other areas. My answer was always no.

Then, about five years ago, one of my best friends reached out to me terribly upset. Just before turning 50 years old, he was diagnosed with cancer which he had lost a sister to a few years prior. He wanted assurances from me that I would look after his wife and kids if it were to take his life early. He had a mortgage, two car payments, one child in college and another soon to be. He had very little money saved and no life insurance. His cancer was detected early, surgically removed and followed up with just a bit of radiation therapy. Thank God he's doing well today, cancer free.

But the experience made me realize that almost every young married couple and those with children need life insurance. It was then I made it a goal to become extremely well versed in life insurance in order to assess the needs and goals of the people who reach out to us for help and find them the right plan and company just as we do with health and Medicare.

The following is the answer to Lisa's question. It was written by Tony DiRoma, our agency's Life Insurance expert:

I exchanged several emails with Lisa regarding her inquiry. I suggested she request what is known as an illustration of her husband's current policy, showing how converting his term policy to a permanent one (aka whole life) would look as far as premiums, cash value accumulation, and death benefit to determine if the conversion would be a good value.

One key reason to seriously consider converting a term policy to a permanent one is if there is an underlying health issue that could prevent someone from purchasing a new policy should they decide to continue with life insurance.

I shared my own experience with Lisa, explaining that I recently chose not to convert my term policy to permanent coverage due to the cost and my decision to carry less insurance after the term expires. Please note, the new policy was subject to medical underwriting. For me, because I could pass underwriting and be approved, the better choice was to apply for a new whole life policy that better suited my needs.

The term policy was taken out in my early 30's when my wife and I had a mortgage on a new house and two young children. Losing mine or my wife's income if one of us unexpectedly passed away would have left a huge financial burden on the other. The peace of mind the term policy has provided over the past 26 years—hopefully, with another 4 years to come—has been worth the investment. And it was much less expensive than a permanent policy, important to us as a young married couple with kids living somewhat paycheck to paycheck. As previously mentioned, my current situation dictates that carrying less insurance after the term policy ends in four years will be sufficient. Thankfully, our house has no mortgage and the kids, who are now young adults, have graduated from college without debt. My wife and I have saved and invested enough that a permanent policy with a smaller death benefit which accumulates cash value will now serve us better.

Concerning Lisa, ultimately, her decision came down to one of three options.

1. Convert the term policy into whole life, definitely a good choice for someone who now has underlying medical issues and can't pass underwriting.
2. Look for a new permanent plan and let the term policy go (less expensive than converting), like I did.
3. Ride out the term until the end and go without any life insurance. This works for those who believe they're in a financial position where they don't need a lump sum of money at the time of death and/or the cost of a new policy doesn't make sense financially. This is what I recommended that Lisa do.

This marks the end of Tony's participation in the column.

I realize most of our audience is generally seniors. However, if you have kids or grandkids who are married and/or have children, unless they have a large amount of money saved, they need life insurance. Please do whatever it takes to make sure they get it. I've really emphasized getting that message out to parents and grandparents lately. It's not something people like to talk about, but if your son, daughter or their spouse unexpectedly passed away, what would the financial situation look like? The last thing people who are grieving should worry about is how they're going to pay the bills and live moving forward. Something you also may not have thought of; if you needed to take on part or all the responsibility of raising your grandchildren, do you have the means to do so?

What we've discovered in the years we've been offering life insurance is it's something that almost everyone knows they need, but very often put off. I can write columns, give advice, and go all over on social media educating and explaining how important it is, yet the response is miniscule compared to when I do the same with Medicare and health insurance.

If you can't get your kids or grandchildren to make an appointment with Tony, it's actually possible for you to be any combination of payor, beneficiary, and owner of a life insurance policy for your kids or grandkids. Tony can help determine which or all are necessary. Term life insurance is surprisingly affordable. Premiums for those 40 years old and under on a \$100,000 to \$200,000 20-year term policy can be as little as \$10 to \$20 per month for a healthy adult.

As far as life insurance for seniors, some still have a need while others don't. Tony can certainly advise you in this regard. If you're looking to leave something for your kids, protect a spouse, pay for funeral expenses or have any life insurance related questions, give our office a call or email Tony directly, Tony@GetYourBestPlan.com.