

Buy Term & Invest the Difference

Term life insurance plays an important role in protecting individuals, businesses and families from the premature death of a breadwinner or key person. In many instances, term life insurance is chosen because of its apparent low cost. Like most things in life, if something is low cost, there usually is a reason. Contrary to the public understanding, a long-term strategy of "buy term and invest the difference" can have significant costs to the insured and the ultimate beneficiaries.

LEAP[®] helps consumers understand that term life premiums and its lost opportunity cost can be very expensive over the life expectancy of any consumer who employs such a strategy. The potential loss of the death benefit of the term life policy may leave the invested difference account vulnerable to income taxes, estate taxes, market declines, and liquidity problems.

Although term life insurance plays an important role in many financial situations, one must consider all of the factors associated with the cost of the premiums over time, the potential loss of the earnings on those premiums, and the ultimate possible loss of the death benefit. If the term life policy has expired and the stock market is perhaps in a downward cycle at the time of the ultimate death, the effects of this strategy can be financially damaging to heirs.

For a more complete understanding of this subject, this approach educates consumers on all aspects of various forms of life insurance coverage. No particular type of policy is uniformly the best in all circumstances. Each type of insurance policy must be evaluated and selected in an appropriate evaluation process such as LEAP[®].

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