



## LIFE INSURANCE

# Differences Between Individual and Employer (Group) Life Insurance

If you need more life insurance, you may be faced with a question: Do I purchase an “Individual” life insurance policy? Or, do I just get it at work?

Nearly 60% of employees have access to life insurance through work<sup>1</sup> (commonly referred to as “group life insurance”). How does this coverage differ from an “Individual” life insurance policy (which is purchased separately from work)? When does it make sense to buy an individual policy?

### DID YOU KNOW?

**64%** of adults agree they personally need life insurance and **30%** say they need more than they have?<sup>2</sup>

Over **75%** of employees in their 30s have been with their current employer less than five years.<sup>1</sup>

### BASIC Term Life Insurance Policy:

✓ For some, the policy coverage is a flat amount (e.g., \$25K of coverage). For others, it is based on one’s salary (e.g., coverage = 1 x salary). Generally employer paid, regardless of age, health, etc.

### ✓ SUPPLEMENTAL Term Life Insurance Policy:

Some employers offer the option to buy additional life insurance – which can be 2x salary, 3x salary, etc. This can be added to the “Basic” coverage.

### ✓ INDIVIDUAL Term Life Insurance Policy:

A policy purchased by an individual from an insurance company or a licensed agent.

Feature/Benefit	SUPPLEMENTAL Employer Insurance Policy	INDIVIDUAL Insurance Policy
Convenient/Least Underwriting	✓	
Best Price – Healthy		✓
Best Price – Less Healthy	✓	
Level Premiums		✓
Portable		✓
No Work-related Restrictions		✓
Multiple Options/Features/Riders		✓



Policies issued by American General Life Insurance Company (AGL), Houston, TX, and The United States Life Insurance Company in the City of New York (US Life), members of American International Group, Inc. (AIG).

<sup>1</sup> Bureau of Labor Statistics, News Release July 22, 2016

<sup>2</sup> 2015 Insurance Barometer Study, Insurance Happens and LIMRA

## Determining How Much Life Insurance You Need

Retirement is in all our futures, and between now and then, we will be earning income to support our families. But, what if that income should suddenly stop? What would the financial impact be on your household?

If you could deposit all the money you would need into an account to replace the income you expect to provide for your family between now and your retirement, how much would it be?

Imagine a number – a **BIG NUMBER** – because that’s what it may take.

Let’s see if we can more clearly define that **BIG NUMBER** as it relates to you. Here’s a simple calculation to help us; it assumes your income will rise 3% per year between now and retirement.<sup>1</sup>

### Find Your BIG NUMBER

1. Write down your income today \$ \_\_\_\_\_
2. Next, look up your **BIG NUMBER** Multiplier:
  - a. How much do you think you can earn in an account between now and retirement? The lower the number, the more conservative. Circle a rate:<sup>2</sup> 4%, 6%, 8%
  - b. Circle the number that is closest to the number of years until retirement: 5, 10, 15, 20, 25, 30, 35
  - c. Look up the corresponding Multiplier from the table and enter it here. **X** \_\_\_\_\_
3. The **BIG NUMBER**: Your income times the multiplier. = \$ \_\_\_\_\_

The **BIG NUMBER** Multiplier

Years to Retirement	Account Growth Rate		
	4%	6%	8%
5	4.7	4.5	4.2
10	9.2	8.3	7.6
15	13.5	11.7	10.2
20	17.6	14.6	12.3
25	21.5	17.1	13.9
30	25.2	19.2	15.2
35	28.7	21.1	16.2

Life insurance can be a source of your **BIG NUMBER**; it can help provide lost income for your family should you die between now and retirement. While you may not want or need to cover the entire **BIG NUMBER** amount with life insurance, this calculation should give you a good place to start.

**Reach out to a licensed insurance professional for more information on how much you might need and the best product for your circumstances.**



NOT A DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | MAY LOSE VALUE | NO BANK OR CREDIT UNION GUARANTEE | NOT FDIC/NCUA/NCUSIF INSURED

<sup>1</sup> Note: 3% is higher than the 2.14% inflation rate we’ve experienced the last 20 years. Source: Bureau of Labor Statistics, Consumer Prices Index, May 1997 to May 2017.  
<sup>2</sup> The rates shown here are for illustration purposes only, to help you understand the value of your potential income. The rates you ultimately receive will be different, and will likely vary over time.

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