

Life Letter

Retroactive life insurance

The most irritating thing about life insurance is that you have to pay for it *before* anyone gains any benefit from it.

Wouldn't it be great if you could obtain "retroactive life insurance" that would not have to be paid for until *after* death? You'd pay nothing during your lifetime. After your death, your beneficiary would receive money from the insurance company and then they would start to pay for it.

How much would it cost?

Life expectancy wouldn't be a factor. The length of the premium paying period and the expected interest rate over that period would be. Here's an example of how it might work.

Carla, as Karl's widow, will need \$500,000 cash to settle his estate and provide herself with a modest income. Assuming 6% annual interest, *retroactive life insurance* will cost her about \$2,974 every month for 30 years.

How does this compare with modern life insurance?

Karl, at age 35, healthy and a non-smoker, can get \$500,000 of level premium life insurance with premiums and coverage to age 100 for less than \$175.00 per month. Policies vary between companies, so see your advisor for details.

Which is the better deal?

Both provide the \$500,000 Carla will need at the time she needs it. One will cost her \$2,974 every month for 30 years after she has lost Karl. The other requires less than \$175 monthly and only while he's still alive. *Obviously \$175 monthly is easier to pay than \$2,974 each month.*

"Retroactive life insurance" does not have to be invented because it already exists under another name. Carla may be able to obtain it as a bank loan or mortgage.

Of course, Carla will have to show that she has the income necessary to handle the monthly payments. She'd probably have to pay more interest than 6% because of the increased risk to the bank. Carla may even have to repay the loan over a shorter period than 30 years. Even then, she would probably have a difficult time getting the loan. After all, her husband has just died.

Retroactive life insurance, Karl and Carla realize, is neither affordable nor reliable. Fortunately they discover it in time to guarantee the cash his estate will need through modern life insurance.

This article is for information purposes only and is not intended as an offering or illustration of a life insurance policy. Work with your insurance advisor to determine the right plan for you.

**Want help with your life insurance planning?
Call today!**

Shelley L. Bertram

Bertram Insurance & Financial Services

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(705) 657-3882 1-866-657-3882 insure_me@sympatico.ca