

The Game of

LIFE INSURANCE

Life can sometimes feel like a game, especially when it comes to handling your finances. As a typical letter carrier progresses through their career, and through the life changes that come with it, financial needs also will change, including life insurance needs. As we all continue around the board in the real game of life, we need to understand what kind of life insurance we may need.



START



Life insurance is an important part of anyone's financial plans. It assures that people who depend on you, such as a spouse or children, will receive financial support no matter when you pass away. Life insurance also can cover costs such as debt, taxes and funeral expenses so your spouse and children aren't left to deal with them.

Even if you are still young and don't have a spouse or children, buying a life insurance policy might make sense because it may be less expensive or offer more benefits later if you start early. Some policies also build a cash value you can use later in life.

"It's always smart to start planning your financial life early, and to make adjustments as your life changes," NALC President Fredric Rolando said. "NALC members have several good options for life insurance and should consider them no matter where they are in life."

LIFE INSURANCE 101

There are two basic kinds of life insurance to choose from. The simplest is *term life insurance*. Like home or auto insurance, term life protects the insured for a certain time period, or term, such as 10 years. If the term expires before the insured person dies, there is no benefit paid. This kind of insurance ends unless the policy is renewed. The cost of term life insurance varies a great deal depending on your age—the older you are, the more expensive insuring your life will be.

A *whole life insurance* policy has no term—it is guaranteed to pay a benefit when the insured dies, no matter when that might be. Whole life policies spread the costs over the payment period, so the premium amount will remain the same throughout the lifetime of the policy. That means that the earlier you buy, the lower the premium even as you get older or your health declines.

Whole life policies, sometimes called permanent insurance, usually come with a cash value, functioning much like a savings plan. As you make premium payments on a whole life policy, a portion of the premium goes toward providing the death benefit (which is paid to the beneficiary at the time of the insured's death), while the other portion builds a cash value. The life insurance company invests the cash value portion of the premiums. This cash value remains available to the owner of the policy. When you are young, a large portion of the premium payment is added to the cash value. As you grow older, a higher portion of each premium is used for the cost of the policy benefit. Although in later years more of the premium is used for the death benefit, the premiums do not increase.

As with term life insurance, if you die with a whole life policy in place, the death benefit is paid. However, if

TERM VS. WHOLE LIFE



TERM LIFE:
Protects the insured for a certain time period

There are two basic kinds of life insurance to choose from.

BUY LIFE INSURANCE



WHOLE LIFE:
Protects the insured for the entire life



MUTUAL BENEFIT ASSOCIATION

CHOOSE A LIFE INSURANCE COMPANY



MBA is a not-for-profit insurer for letter carriers administered by letter carriers.

CONVERTED TO CAREER

HIRED
AS A CCA

you cancel a whole life policy, you receive the cash value that has accrued. For instance, you might choose to cancel a whole life policy and receive the cash value after you retire because your family has less need for life insurance coverage and you need the money for living expenses instead. You can also sometimes take out a loan against the cash value of your policy.

Similar policies, with names such as “universal life” or “variable life,” offer whole life coverage with different ways of investing the cash value. The growth in the cash value isn’t taxed until you receive it, allowing the investment to grow faster.

Some insurers pay dividends—a share of their profits—to their whole life insurance policyholders when the premiums their customers paid exceeded the amount needed by the company for the year to cover all of the company’s death benefits. If the policy is whole life, the policyholder often can choose to buy more insurance using the dividend.

Whatever your career status, letter carriers have many insurance options to choose from, and your needs may change as you advance on life’s game board. As you get older, buy a home, get married, have children, and perhaps divorce or form blended families with stepchildren, you may want to update your insurance plans or anticipate future changes. Your health also changes as you age, and some insurance policies may take this into account.

THE LIFE OF A CCA

Today, all letter carriers begin carrying the mail as city carrier assistants (CCAs) before moving on to career status. Many are young men and women

who may have a long career of carrying the mail ahead of them; others are shifting gears from other jobs—a third of CCAs working this year are 40 or older.

CCAs do not have access to federal employee life insurance benefits. However, all NALC members may buy insurance from NALC’s Mutual Benefit Association (MBA).

Founded in 1891, MBA is a not-for-profit insurer for letter carriers administered from NALC Headquarters in Washington, DC. Today, thanks to the different programs designed to meet the varied needs of letter carriers, MBA insures about 25,000 members for a total of \$224 million in life insurance coverage. MBA is overseen by Director of Life Insurance Myra Warren, a letter carrier from Dallas Branch 132.

“MBA offers both term and whole life policies that could make sense for almost any letter carrier at any age or stage in life, from CCAs to retirees,” Warren said.

Keep reading for more information about MBA policies.

YOUR NEXT MOVE

The next move for most CCAs usually is converting to career status. Career letter carriers are covered by Federal Employees Group Life Insurance (FEGLI). They are automatically enrolled in the basic FEGLI coverage and pay the premiums through payroll deduction unless they decline the coverage. The Postal Service pays the premiums for basic coverage. The basic insurance amount is equal to the greater of (A) your annual rate of pay (rounded up to the next even \$1,000) plus \$2,000, or (B) \$10,000—whichever is more, plus an extra benefit for certain employees based on their age.

BASIC FEGLI COVERAGE



Career letter carriers are automatically enrolled in the basic FEGLI coverage and pay the premiums through payroll deduction.

FEDERAL EMPLOYEES GROUP LIFE INSURANCE



For those who already have basic coverage, FEGLI offers additional coverage for an additional monthly premium paid entirely by the letter carrier. FEGLI offers only term life insurance with premiums that could increase and that does not build a cash value.

Of course, in addition to FEGLI and MBA, letter carriers can buy life insurance from a private insurance company.

DIFFERENT LIVES, DIFFERENT NEEDS

Let's look at some examples of the life insurance options for different stages in a letter carrier's life, using FEGLI and MBA policies for comparison. Everyone's situation is different, of course—these are just hypothetical scenarios.

Debbie is a 25-year-old career carrier at Step A, making about \$37,000 per year. She is single and has no children. As a career carrier, she has basic FEGLI coverage at no charge.

If Debbie dies, she has only a few expenses for life insurance to cover: burial expenses and some credit card and car loan debt. At her age, FEGLI would provide a death benefit of \$80,000 so her family could pay these expenses.

Planning ahead, Debbie could buy an MBA policy, such as the Paid Up at Age 65 Whole Life policy. Under this plan, she would be fully insured her entire life and stop paying premiums when she turns 65. Debbie chose a Paid Up at Age 65 policy that pays \$100,000 when she dies. At her age, this policy charges her \$50 a month, a premium that won't go up.

At 28, Debbie marries Tim. By now, Debbie has moved up to Step D, earning about \$42,000 a year, and to

help replace her salary for Tim, she needs more insurance coverage. She chooses to buy additional FEGLI coverage because she wants to leave Tim financially secure if she dies before he does.

By age 34, Debbie and Tim have bought a home and have two children, and her annual pay has reached Step J, about \$52,000. Her family depends on her earnings, and if she dies before he does, Tim will need help paying the mortgage on the home and caring for the children—about \$500,000 in expenses. Throughout the years, MBA paid Debbie dividends, and she opted to use them to buy even more insurance to build on her whole life insurance protection. If Debbie were to die at this age, Tim would receive \$422,500 from FEGLI and \$108,383 from MBA, enough to cover the family's needs.

As she approaches retirement, things begin to change. Debbie's children are grown and independent and she doesn't need as much life insurance coverage. Debbie's FEGLI premium was just \$6.60 a month when she was 34, but at age 65 it has grown to \$530 a month with no increase in the death benefit. She can review her FEGLI coverage and make adjustments to her optional coverage as needed. At this age, Debbie is glad she also took out the MBA Whole Life policy with payments that don't change. She is still paying only \$50 a month, and her death benefit has grown to \$190,265. Now, at age 65, the payments on her MBA policy end—it is all paid up—but the insurance protection will continue until she dies.

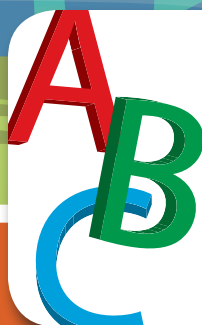
With smart planning, Debbie evaluated her needs and acted so that her

MBA and FEGLI are two of the life insurance options available to letter carriers.



**GET
MARRIED**

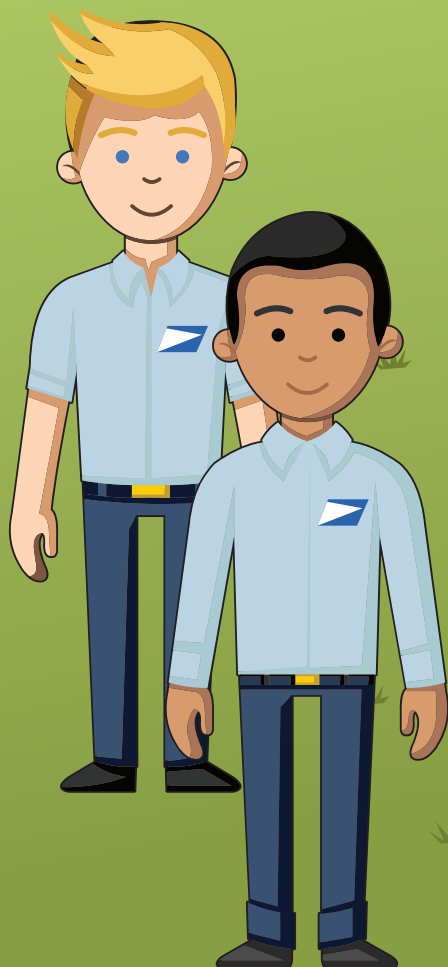
CHOOSE A FEGLI OPTION



Option A is a straight \$10,000 benefit in addition to basic coverage.

Option B allows you to choose additional coverage of between one and five times your basic salary.

Option C provides coverage for a spouse and eligible children. You may elect either one, two, three, four or five multiples of coverage.



family would be financially secure no matter when she died.

“Every letter carrier’s situation is different, and every letter carrier’s situation changes as he or she grows older and as other circumstances change,” Warren said. “It’s important to not only plan for your life insurance needs, but also to review them periodically to see if you need to make changes.

“And there are always options, regardless of your age,” she added. “Just because you didn’t buy a certain life insurance policy early in life doesn’t mean you can’t get affordable coverage.”

MANY CHOICES

As with private insurance companies, FEGLI and MBA offer many options to fit your needs.

As noted above, FEGLI offers additional options, called A, B and C, for those with basic coverage. Employees must take action to elect any of these options; they are not automatic.

Option A is a straight \$10,000 benefit in addition to basic coverage.

Option B allows you to choose additional coverage of between one and five times your basic salary.

Option C provides coverage for a spouse and eligible children. You may elect either one, two, three, four or five multiples of coverage. Each multiple is equal to \$5,000 for your spouse and \$2,500 for each of your eligible dependent children. For example, if you elect three multiples and your spouse dies, you would receive \$15,000 (3 x \$5,000). If one of your eligible dependent children dies, you would receive \$7,500 (3 x \$2,500).

With the three optional insurance choices, including options for spouse and family coverage, you pay the full

cost, which depends on your age and possibly on your health. Signing up for these options may require a physical exam or a qualifying life event, such as a marriage or the birth or adoption of a child.

MBA offers several plans for NALC members:

- **MBA Life Paid-Up at Age 65**—the policy Debbie bought when she was 25—is a limited-payment whole life insurance policy. It is ideal for all letter carriers and their family members. MBA Life Paid-Up at Age 65 offers lifelong insurance protection without lifelong payments. This plan allows the insured to reduce his or her financial obligations upon retirement while maintaining insurance coverage. You can purchase life insurance coverage worth between \$10,000 and \$100,000. Premium payments are required up to the policy’s anniversary date after the insured’s 65th birthday. At that time, the policy is fully paid up, yet coverage stays in force throughout the insured’s lifetime. This coverage continues in full, unless you decide to surrender the policy for its cash value.
- Similar to the Paid-Up at Age 65 plan, the **MBA Whole Life** policy is a whole life plan that lets you choose from \$10,000 to \$100,000 worth of coverage. Premiums are based on the amount of the policy benefit and your age at the time of purchase. With this plan, premiums remain the same throughout the life of your policy.
- Especially suited for letter carriers who want to take care of their young children, **MBA 20 Pay**

HAVE CHILDREN

PICK AN MBA PRODUCT



Whole Life is a limited-payment life insurance policy that lets you build up cash for your children's future. Whether you choose \$10,000 or \$100,000 worth of coverage or anything in between, you pay premiums for 20 years. In the event of the insured's death, MBA 20 Pay Whole Life will pay survivors the full amount of the policy. After the 20 years, you may keep the coverage at no cost, or surrender your policy for its cash value. If you choose to keep the policy in force, your cash value will continue to build up and you will continue to earn dividends.

- One of the most convenient whole life plans available, the **Independence—Single Premium Plan** provides you or any eligible member of your family with life insurance coverage of \$5,000, \$10,000, \$20,000, \$100,000 or any amount you choose (subject to limitations) for a single, once-in-a-lifetime premium payment. With this plan, you not only get immediate real-cash value, but also investment advantages such as favorable tax-free interest earnings, easy low-interest loan availability, an instant cash-value option, a no-cancellation guarantee and, of course, full death benefits. Independence—Single Premium Plan also lets you decide whether to leave your dividends on deposit to increase their cash value, or to use them to increase your death benefit or receive a dividend check.
- MBA 10-Year Renewable and Convertible Term Life** is a 10-year renewable and convertible term policy. In the event of your

death, the policy will pay your beneficiaries the full amount of your policy for as long as it's in force. This plan lets you choose coverage of \$10,000 through \$100,000. Your premium will remain the same until the 10-year term has ended. You can renew for another 10 years of coverage without a medical exam. At each renewal period, your premium increases according to your age. You may continue your MBA 10-Year Renewable and Convertible Term coverage until age 80. You also can convert your term life policy to a whole life policy, such as MBA Whole Life, without taking a medical exam, if the insured is under the age of 65, with certain restrictions. Term Life is available for your spouse at the same benefit amounts open to you.

All NALC members also are automatically enrolled in free accidental death coverage that covers letter carriers for \$5,000 if they die in an accident. FEGLI basic life insurance also includes similar accidental death coverage at no additional charge.

For more information about FEGLI, visit opm.gov/healthcare-insurance/life-insurance. For information about MBA, see nalc.org/mba and the insert about MBA Whole Life Insurance in this magazine. Many branches also have a local MBA representative, a letter carrier who understands MBA insurance policies and can help you.

"Whatever your stage in life, it's a good idea to look at your life insurance needs," Rolando said. "Please consider the options you have and protect the financial future of you and your family." **PR**

RETIRE

REVISE YOUR INSURANCE NEEDS

