

Life insurance in retirement



**James W.
“Jim” Yates**

It is never too early to start planning for your retirement. Everyone's life insurance needs change over their lifetime. One thing we all have in common is that the later in life we make decisions about our life insurance, the more expensive it can become.

Most of us do not consider, or understand, the increasing cost of life insurance as we age, and then we get blindsided when we reach retirement over the decisions we have to make.

All career postal employees are enrolled in the Federal Employees' Group Life Insurance (FGLI) basic insurance, unless they opt out.

The full premium for FGLI basic coverage is paid by the Postal Service and therefore is free to active city carriers. Basic coverage covers your life for the amount of your salary rounded up to the next \$1,000 plus \$2,000.

Many letter carriers also take advantage of FGLI Options A, B and C while they are active carriers. Option A is \$10,000 in coverage, Option B provides coverage in an amount from one to five times your annual rate of basic pay after rounding your salary up to the next \$1,000, and Option C is coverage for your spouse in multiples of \$5,000 up to \$25,000 and for eligible dependent children in multiples of \$2,500 up to \$12,500.

FGLI is term life insurance that does not build any cash value and remains in effect as long as premium payments are being made (may continue for up to 12 months in a non-pay status while still a postal employee). FGLI's premiums are based on the letter carrier's or annuitant's age. Premium rates increase in five-year intervals beginning on the insured 35th birthday.

Upon retirement, USPS no longer pays the full premium for basic coverage. A portion of the premium will be paid by the retiree. Additionally, if you want to continue your optional FGLI coverage into retirement, you must choose between no reduction in coverage, 50 percent reduction, or 75 percent reduction. Each has a different financial impact to the retiree up to \$2.25 per month, per \$1,000 in coverage for basic; \$6.24 per month, per \$1,000 in coverage for option B; and \$16.90 per month for each multiple of Option C if no reduction is elected. Option A will cost as much as \$13 per month from age

60 to 64 but becomes free at age 65. These rates may change in the future.

The Mutual Benefit Association (MBA) offers several options that you can take advantage of either in place of, or to supplement, FGLI. Two of these options are MBA Whole Life—Paid up in 20 Years, and MBA Whole Life—Paid up at Age 65.

Both policies are available to NALC members and their spouses, children, stepchildren, grandchildren, step-grandchildren, great-grandchildren and step-great-grandchildren, as well as members' parents. MBA will insure any one life up to the maximum coverage amount of \$150,000. The difference between these two plans is the age at which the policies may be issued: For a Paid Up in 20 Years policy, it is age 0 to 80; for Paid Up at Age 65, age 0 to 55.

With these plans, the premiums remain the same for the entire premium payment period. At the plans' designated time, the policy is paid in full. The Paid Up in 20 Years policy is fully paid off 20 years after the issue date of the policy. The Paid Up at Age 65 policy is fully paid off on the policy anniversary date after the insured individual turns age 65. At that time, no further premiums are ever due on either of these policies, and the coverage remains in force for the insured's entire lifetime. The premium is determined by the insured's age at the time the policy is purchased and the amount of life insurance requested. The earlier in life you make this purchase, the less expensive it will be.

Premiums on either plan can be paid to the MBA through biweekly payroll deduction, through electronic funds transfer or directly to the MBA office on an annual or monthly basis.

These whole life policies build a cash value. The longer the policy remains in force, the larger the cash value. If your insurance needs change and you determine that you no longer need coverage, you will receive the value that has accrued. As stated above, because FGLI is term insurance, it builds no cash value.

There is no open season to purchase an MBA policy; you may join at any time.

For more information regarding any of the MBA products, please call the MBA office at 202-638-4318, Monday through Friday, 8 a.m. to 3:30 p.m. Eastern time. You can also visit our website at nalc.org/mba.

Happy holidays!