

# How to Use Sidebar<sup>SM</sup> Insurance Services

Buying life insurance is extremely easy. For all the complicated financial decisions you have to make, life insurance isn't one of them. It's so easy, it can be said in a simple sentence: Buy the cheapest term life insurance policy from a reasonably reputable company that you can find.

Life insurance is a commodity product. It's not complicated like disability insurance. Life insurance companies don't have different definitions of "dead". You're either dead or you're not.

## Sidebar<sup>SM</sup> Insurance Services

We work with lawyers to help take the stress out of finding an insurance policy. We can help with you the following:

- We can review your existing group and individual policies and provide our recommendation based on your current coverage.
- As an independent insurance agency, we can provide you with insurance quotes from a wide variety of insurance companies.
- Once we've identified quotes for you and assessed your needs based on your current coverage, we can broker the insurance policy for you and help get you covered through our digital platform.
- In addition to our services, we provide content exclusively for lawyers to help you better understand your insurance needs.

If you'd like to work with Sidebar<sup>SM</sup> insurance services, the best way to get in touch for now is to [send us an email](#).

## Buy Term Life Insurance

Here's our quick guide to understanding how to buy term life insurance:

Do not let anyone talk you into purchasing any type of "permanent" life insurance such as whole life, variable life, universal life or any variation. All you need is TERM life insurance. The fees and commissions on term life insurance are relatively low because the market is competitive, so let the market do the heavy lifting for you.

**Do not mix insurance and investing.** Your term life insurance policy is simply an insurance product that will help your family if you should prematurely die.

All of the other types of life insurance products are a combination of insurance (term) and investment (the "whole" component). You can probably get a better return on the investment portion of your dollars in a different and more-friendly investment account. Separate the insurance component from the "whole" product and focus on it. Term life insurance is the way to go.

## Buy Level-Premium or Annually Renewable Term Life Insurance

There's two different options of term life insurance to consider: (1) "level-premium" life insurance or (2) "annually renewable" life insurance.

**Level-Premium.** Level premium is exactly as it sounds. You have one premium payment over the entire length of the policy. If your payment is \$100/mo for \$1 million in life insurance, you'll still be paying \$100/mo exactly 15 years from now. Since inflation will reduce the buying power of your dollars, that \$100 in 15 years will actually be significantly cheaper than \$100 today. Of course, the same is true for the benefit paid by the life insurance policy since \$1,000,000 in the future will be less than \$1,000,000 today. You shouldn't worry about the value of your benefit declining in the future because your retirement portfolio will be growing over time, so you should have plenty of money saved as your life goes on.

**Annually Renewable.** As the name implies, annually renewable life insurance renews each year. You'll start out with very low payments because your risk of dying young is very low. Over time these payments will gradually increase. By the time you're 60 they could be quite high. The annually renewable life insurance policy will have a period of "insurability" which means that you won't have to reapply or take additional medical exams each year to keep the policy alive. Instead, the life insurance policy will simply look at the actuarial tables each year and charge you a higher premium based on your higher age. That "schedule of premiums" should be provided to you with the insurance policy.

**Which one to pick?** Most lawyers will probably benefit from the level-premium term insurance because they can budget accordingly. However, for a lawyer that plans on becoming financially independent, the annually renewable term insurance might make some sense. The monthly premium will be cheap during the early years and then you can jettison the policy if you won't have a need for it after you reach 50 years of age (or become financially independent). Of course, if your plans change and you don't reach that financial independence, you will be the owner of an insurance policy with high monthly premiums.

## Buy a Large Amount of Life Insurance

Life insurance is relatively cheap. This isn't the type of product where you will debate about whether you should get \$500,000 or \$525,000 of coverage. You need a lot of life insurance.

The default option is probably about \$2 million but will vary depending on your situation.

A small town lawyer in Kentucky might only want \$1 million of coverage.

Two Biglaw partners living in NYC with no kids might not need any life insurance at all.

**You have to figure out what payments you want the life insurance to cover.**

For me, I want life insurance to provide my future family with the same lifestyle they have today should I prematurely kick the proverbial bucket. That means the life insurance needs to provide a nest egg big enough to generate an income that will cover current life expenses, plus allow for some extra space to save money for the kids to go to college and for my soon-to-be wife's retirement.

For others, you may want to calculate your need for life insurance by adding up all your debts (e.g. mortgage), figuring out how much you want to pay for your kids to go to college and then how much you want the surviving spouse to receive.

As mentioned above, life insurance is the type of insurance where you can round up given its low cost. Better to have too much life insurance than not enough. Even better if you never have to use it.

## Buy from a Reputable Company

Yes, there's a small chance that your life insurance company could go out of business. But no, it's not a huge risk that should keep you up all night. There's no need to only buy insurance from Berkshire Hathaway.

First, every state has a guaranty association which will pay for the claims associated with financially impaired insurance companies. As you might expect, this is a highly regulated industry. See a nice list of protections in place on a state-by-state basis [here](#).

Second, if an insurance providers goes out of business, it's highly likely that another provider would step in and buy up the old business anyway (at pennies on the dollar to them, thus making everyone a winner except the equityholders in the failed insurance company).

You could also diversify the risk by buying from multiple companies but more on that later in the article.

## Buy a Cheap Policy

Since life insurance is a commodity, all you need to do is compare the different prices available and go with the cheapest option from a reputable company.

Our Sidebar<sup>SM</sup> insurance service can help you locate the lowest quote, just send us an [email](#) if you're interested.

## Life Insurance From Your Work

But wait a second. Don't you have group life insurance with your firm? Why would you even buy an individual policy in the first place?

Now would be a good time to download and check your current group life insurance policy to make sure you understand the terms.

Chances are high that your group life insurance policy provides a multiple of your current salary (probably 1x). This is a perfectly adequate and a great deal if you're a single lawyer and have nobody relying on your income. Your 1x salary will be enough to bury you and settle your estate should something happen.

Where the group policy will let you down is replacing your income, paying off a mortgage, sending kids to school and making sure your spouse has enough money to retire.

For those reasons (*ed note: your group insurance through work is also probably not portable*), you'll probably want your own life insurance policy to cover the extra expenses.

## Buying Multiple Term Policies (Laddering)

Just when I've finished explaining how easy it is to buy insurance policy, I thought I'd throw in a final section on why buying multiple term policies might make sense for you.

Let's say you're 30 years old. For the sake of completeness, let's also say you're married, have two children and owe \$300,000 on a house. Doesn't matter if those numbers are correct/realistic to you for this exercise.

You're an aggressive saver who plans on being completely financially independent by 60. You could buy a level-premium policy for 30 years in the amount of \$2 million and call it a day. There's no shame in that.

Or, you could buy three separate policies in the amount of \$667,000, which add up for a total of \$2 million.

Why would you want to do that?

Because one policy would be a 10 year, the second would be a 20 year and the third would be a 30-year policy. In this way, you'll start out with \$2 million in coverage but will gradually step down \$667,000 in coverage every decade.

If this hypothetical 30-year-old dies between 40-50, they'll have \$1.3M of coverage. If they die between 50-60 they'll have \$667K in coverage.

As you can see, this would be cheaper than maintaining the entire \$2 million policy across the next 30 years and also stays flexible as your needs decrease while you build up savings.

This is known as "laddering" term insurance policies and is easy to price out to see if it would be beneficial to you.

Sidebar<sup>SM</sup> looks forward to working with you in connection with your insurance needs.



Sidebar is connecting lawyers in unexpected ways so that they can develop meaningful relationships.

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