

Laddering May Meet Multiple Term Insurance Needs

For many middle-aged clients, there is an inverse relationship between their ages and the amount of life insurance protection they need — as mortgages are paid off and kids graduate from college, the need for life insurance protection may decrease.

To accommodate their changing needs, one strategy is to purchase separate term policies with different coverage periods, potentially providing your clients with the right amount of coverage in the most cost-effective manner.

The following is an example to show how laddering different term policies can be an effective strategy.

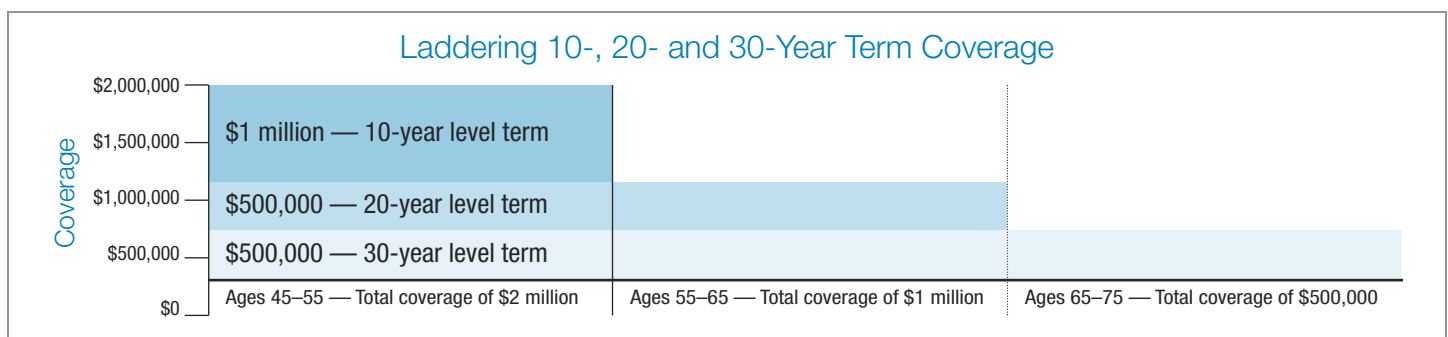
Assume the following:

- A 45-year-old married client with two children — ages 5 and 10.
- The client has 10 years left to pay on a mortgage.
- Based on this, you determine the client's life insurance needs are:
 - Ages 45–55, \$2 million covering mortgage, college costs, lost income, and final expenses.
 - Ages 55–65, \$1 million covering college costs, lost income, and final expenses.
 - Ages 65–75, \$500,000 covering lost income (pension) and final expenses.

To provide coverage, your client could purchase a:

- \$2 million permanent life insurance policy to ensure lifelong protection, but the cost may be significantly higher than other options.
- \$2 million 30-year level term policy to ensure coverage through age 75, but again, the cost may be significantly higher than other options.
- \$2 million 10-year term policy today and plan on purchasing additional coverage in 10 years, but the client could become uninsurable.
- \$500,000 30-year term policy, but the client would be underinsured from ages 45 to 64.

Another strategy is for the client to ladder term coverage by purchasing separate term policies, thereby providing the desired amount of coverage at the desired time.



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Let's take a further look into the costs, advantages and disadvantages of these different strategies.

Laddering Strategy	Cost per Year	Advantages	Disadvantages
\$1 million 10-year term \$500,000 20-year term \$500,000 30-year term Totals	\$925 for 10 years \$750 for 20 years \$1,275 for 30 years \$2,950 for 10 years \$2,025 in years 11–20 \$1,275 in years 21–30	Right amount of coverage at the right time. Less expensive compared to the permanent or 30-year term strategy.	Coverage ends at age 75. No cash value or other advantages of a permanent policy.
\$2 million UL policy*	\$15,256 to age 100	Additional benefits of permanent life insurance, including building cash value and lifelong protection.	More expensive than the laddering strategy.
\$2 million 30-year level term policy	\$4,635 for 30 years	\$2 million coverage for 30 years.	More expensive than laddering strategy. No cash value or other advantages of a permanent policy.
\$2 million 10-year term and purchase additional insurance in 10 years	\$1,775 for 10 years Unknown cost in years 11–30	In the first 10 years, lower cost than either the UL or 30-year term strategy with the same amount of coverage.	Unknown cost after the first 10 years. Client could become uninsurable. No cash value or other advantages of a permanent policy.
\$500,000 30-year term	\$1,275 for 30 years	Least expensive option.	Client is underinsured for the first 20 years. No cash value or other advantages of a payment policy.

All quotes are based on a 45-year-old male, non-smoker, preferred best. UL quotes are Athena ULSM-DB. All other quotes are from AXA Equitable's Series 149 Term policy. This is a favorable term insurance rate class. Other rate classes (e.g., Standard Non-Tobacco User) are also available. Clients should be informed that applications for life insurance coverage are subject to underwriting and that no insurance coverage exists unless a policy is issued and the required premium to put it in force is paid.

*This is a supplemental illustration and must be read in conjunction with the basic illustration. The basic illustration contains values using the same underwriting assumptions as this supplemental at both guaranteed charges and guaranteed interest rates and contains other important information. The values represented here are for a \$2,000,000 Athena ULSM-DB policy on a 45-year-old male Preferred Plus Non-smoker. The values reflect the cost of 55 years of premiums. The values represented here are non-guaranteed and assume current charges and a current interest rate of 4.25%. If guaranteed rates and charges are used, the policy would fail in year 24. .

No one strategy is the best for all clients. By laddering different term coverages, you may be able to provide your clients with the right coverage at the right time for the right cost.

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