

Dumber Indemnity: Coming to Term



"I'M NOT TALKING as a salesman, just as a man who has a family." Mark is trying to sell me some life insurance. I've explained to him, just as I've explained to all the other salespeople I've been calling this week, that I'm going to be getting married soon, and as the big breadwinner in the family (well . . .), I'm suddenly interested in a little security, just in case.

Mark explains to me that life insurance isn't just for dead people anymore. This is the nineties—it's an investment vehicle now. "Your internal rate of return over 20 years," he says confidently, "will be somewhere in the eights."

Like most of the others (about 20 percent displayed a reasonable level of integrity), Mark is having some fun with the truth. He has no idea what my rate of return will be over 20 years. Neither does Rick, who pushily tells me that he's "not one of those pushy salesmen" and declares that there's "no risk" at all if I buy the more expensive Cash Value policy.

"You're looking at 7.2 percent, tax deferred," he says. "It's as close to being guaranteed as possible . . . There's no reason in the world to think that the performance of these companies is going to go downhill."

The silly things a guy will say for a fat commission.

"Do you want the 79-cent tour of life insurance?" Michael asks. Sure. "There are two kinds of life insurance. One is called Term insurance, and it's like car insurance. It's cheap, but if you don't have a crash that year, you've spent the money and the price goes up for the next year, probably about five or ten percent. It's like a staircase—as you get older and older, it keeps getting more and more expensive. And at the top of the staircase, it becomes a ladder going straight up."

Perhaps the reader has deduced by now that Michael wants to sell me something else. Morey Stettner, author of a helpful new consumer's guide to insurance entitled *Buyer Beware* and my co-conspirator in this mini-sting, had warned me all about this common stunt. "Almost everyone will try to steer you away from Term," he correctly predicted. "They get a commission five to ten times higher if they sell you a Cash Value policy. The irony is that life insurance is supposed to be about getting the peace of mind that comes with Term. Here these guys are, knocking the reason you want insurance in the first place."

Only Paul, Nat, and Len refuse to disparage Term insurance. As far as the others are concerned, I might as well go long on the U.S. dollar. "Term is the cheapest out of pocket," Joseph admits. "But I'm not going to say it's the cheapest because actually it's the most expensive, because you get nothing back for your money."

"It gets more and more expensive every year," says Rick, salivating, "until it gets so expensive that you never want to pay for it."

Tom never even mentions Term. After I tell him my date of birth and occupation, his first words are, "See, the better way is to take advantage of two items by taking the Cash Value policy . . . You can use the value of the life insurance policy to actually save for your retirement."

Really?

"Anything you put in above the minimum premium, subject to certain guidelines, you can accumulate for your retirement tax-free, tax-exempt, and you get currently 6.5 percent interest." A pause, while he does some calculating.

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