THE LADDERING STRATEGY

Life insurance isn't one-size-fits-all. As financial goals change over time, your coverage needs may change too.

The main purpose of life insurance is to provide death benefit protection after you pass for your beneficiaries named on the policy—but it can also help you plan for specific financial goals throughout your lifetime.

Instead of buying one large policy, you can use a laddering strategy, which involves buying different kinds of life insurance policies with varying death benefit amounts and durations. Each policy is designed to provide coverage for a specific financial goal, so as those goals are met over time, your coverage adjusts naturally.

How It Works: An Illustrative Example

A family with multiple financial goals might structure their coverage as follows:

1

They start with three policies: a 10-year term policy for peak income-earning years, a 30-year term policy for coverage during their mortgage repayment, and a guaranteed universal life policy to help cover later years and final expenses.

2

At year 10, the 10-year term policy ends because they no longer need coverage for peak income-earning years.

3

At year 30, the family finishes paying off their mortgage and lets the 30-year term policy end, retaining only the guaranteed universal life policy for later years and final expenses.

As each term policy ends, total death benefit coverage decreases in step with reduced financial responsibilities.

Why Consider This Strategy?

Laddering allows your coverage to evolve alongside your life—adapting to shifting financial responsibilities and changing priorities over time. You can combine short-term coverage to address your current or near-future goals with long-term coverage designed to protect you in your later years.

Additionally, shorter-term policies are typically more affordable. By layering policies, you may avoid paying for more coverage than you need for longer than you need it.

Ask Your Financial Professional

Would it make sense for me to use a laddering strategy to align my life insurance coverage with my biggest financial obligations?

For more information, contact your financial professional or visit PacificLife.com

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