

The pros and cons of employer-provided life insurance.



You get a new job, and you find out you have employer-provided life insurance. Score! Now you don't have to buy life insurance, right? Wrong. Or at least, partially wrong. We're not saying that free life insurance is a bad thing. There are certainly pros and cons of employer-provided life insurance.

The pros of employer-provided life insurance are:

- It's free. Or at least, some of it is – if you want additional coverage beyond what your employer is providing, that will cost extra.
- It's easy. You don't have to call anyone, compare prices or shop for companies. Just fill out the forms your HR person gives you to enroll in your company's group insurance program.
- It might be enough. That is, if you're young, in excellent health, have no one depending on you and are willing to gamble that you will stay that way.

So, if your employer offers you life insurance, by all means, take it! But before you sign up and consider yourself done with life insurance, consider these cons of employer-provided plans:

- **In most cases, it's not enough.** Most employers offer either a flat amount, like \$25,000 or \$50,000, or a multiple of one or two times your income. If you have a mortgage, a spouse, dependents and other trappings of adulthood, you'll need a lot more than that. Most experts recommend at least 7-10 times your annual salary as a rule of thumb. Use our Life Insurance

Calculator to get a more accurate amount for your situation. You may be able to purchase additional coverage from your employer-provided plan, but that's problematic, because ...

- **If you leave your job, you lose your insurance.** One of the biggest disadvantages to employer-provided insurance is that few people stay with the same employer their entire adult lives. At some point, you'll move on – but your insurance won't. By then, you'll be older, which will make buying your own individual life insurance more expensive. You might also have health conditions that could push the premiums even higher. If you buy an individual plan of your own right from the start to supplement your employer's plan, it will stay with you from job to job.
- **You take what you get.** If you'd prefer a different insurance company or a different kind of policy (like whole life insurance), you're out of luck. That's fine for the free life insurance, but if you're going to pay for additional insurance to supplement it, why not get what you want?
- **Service is limited.** Your HR person at work can answer a lot of your questions, but they won't give you the kind of personalized service you can get from an independent insurance agent. And because an independent agent is not tied to your workplace, they can advise you for years to come and get to know you and your insurance needs better.

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