LIFE INSURANCE CASE STUDY

Mortgage Protection and Debt Safeguard

Client

A 36-year-old primary wage earner

Assessment

Earning $95,000/year as a Project Manager and having recently purchased a $450,000 home with a 30-year mortgage ($360,000 loan balance at 6.25% interest), the client realized his family's housing stability was deeply vulnerable. While the mortgage was the family's largest financial obligation, their total liability included the $360,000 mortgage plus $40,000 in car loans and consumer debt, totaling $400,000 in debt. Bank-offered Decreasing Mortgage Protection Insurance (MPI) would charge $110/month for a benefit that decreases over time while naming the lender as the sole beneficiary. The client sought flexible, level protection that covered both the home and ongoing family living expenses without tying the benefit to the bank.

Solution

The agent implemented a 30-Year Level Term Life Insurance policy providing a fixed $500,000 benefit at a level premium of $45/month for the 30-year term period (Preferred health class). Matching the 30-year mortgage horizon, this approach provided full policy portability, level death benefit proceeds, and built-in term conversion options without requiring new medical underwriting at the time of term conversion.

Result

The client secured a fixed monthly savings of $65/month compared to lender-offered MPI while securing $140,000 more in total benefit coverage. With the client's spouse named as primary beneficiary, the family gained complete payout flexibility: the option to pay off the $360,000 mortgage outright or maintain monthly payments using the policy proceeds while reserving the remaining $140,000 for living expenses and child care.

Summary

Individual term life insurance can serve as a versatile alternative to bank-offered mortgage protection. Cost savings and eligibility depend on underwriting approval, health class, and carrier rates. Securing level coverage directly owned by the policyholder rather than the lender helps provide liquidity to support family housing stability, lower premiums, and complete flexibility in benefit distribution.

Contact your Simplicity representative for more information or visit Simplicity-Partners.com