Meyer and Associates

Some Thoughts on Automatic Benefit Increases *from* Ed Meyer

Think about this… Salaries, houses, family sizes, and education costs increase over time, just to name obvious examples. With those changes comes a need for more life insurance. ABIs can address two entirely different situations:

1. **Your health has deteriorated by the time you need more insurance.** By then, the only premiums available to you may be a lot higher. Or you may be uninsurable and unable to buy more at any price. ABIs ensure that your coverage can increase every year, even if your health has declined. They protect your "insurability."

2. **You already know you'll need more insurance in the future.** Say you need \$500,000 now and anticipate needing \$1 million in 10 years. You could take one of several approaches:

    - **Be conservative**. Buy \$1 million of coverage now, while your health allows that. It would entail paying for some coverage in the early years that you really don't need quite yet.

    - **Take a chance**. Buy \$500,000 now, and hope your health will let you qualify for another \$500,000 in 10 years. In fact, your need will probably increase *gradually* over 10 years, so this might not be the best approach, even if your health remains good.

    - **Use ABIs under this plan**. For example, buy \$500,000 now, and use your annual ABIs to gradually increase your insurance to \$1 million over 10 years. Or buy \$1 million and let it go to \$2 million automatically. This approach works well for most people.

ABIs provide good balance between (a) paying *now* for only the coverage you need now and (b) being assured you'll be able to increase your coverage, for 10 consecutive years, regardless of your health.

Ed Meyer is founder and president of Meyer and Associates, which has administered alumni/ae insurance programs since 1973. He designed the first Automatic Benefit Increases, for alumni insurance programs, in 1987.