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Your Money

Sandra Block

Insurance industry targets seniors, but beware of risks

Kentucky historian Thomas D. Clark celebrated his 100th birthday last week, joining an elite group of Americans who have lived long enough to eat whatever they want.

Centenarians — people age 100 or older — are the fastest-growing segment of the nation's population, according to the New England Centenarian Study, which estimates there are about 50,000 centenarians in the USA. The second fastest-growing segment: Americans over age 85.

Chances are, you won't live to be 100. But Americans are living longer than ever, a fact that hasn't escaped the insurance industry. Eager to tap a growing market of older, healthy Americans, the industry is making term life insurance affordable to older customers. According to the Web site QuickQuote, a 65-year-old in good health can buy a 10-year, \$500,000 term policy for about \$2,500 a year.

Room to grow

Number of life insurance policies sold and percentage of policies sold to buyers ages 65 and older:

Year	Policies sold (in millions)	% to older buyers
1995	12.3	3%
1997	11.6	3%
1999	11.0	4%
2001	10.1	4%

Source: Limra International

Most older Americans don't need life insurance because they don't have dependents. But in a few limited cases, a term policy may make sense.

Don't confuse these term policies with the "guaranteed" life insurance that is often advertised on late-night television. You don't need to take a medical exam to qualify for a guaranteed life insurance policy, says Lou Geremia, president of Insurance.com, an online insurance provider. But premiums are usually very high, and the payout is low — usually just enough to pay funeral costs, he says.

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With traditional life insurance, premiums are much lower, but coverage isn't automatic, Geremia says. You'll still have to meet the insurer's criteria, which usually means taking a medical exam. But new research on longevity has led some insurers to relax their criteria for seniors.

For example, a slight rise in blood pressure or cholesterol won't automatically disqualify you. Studies have shown such increases are normal as people age.

It's not hard to see why the insurance industry is targeting seniors. The number of Americans 70 and older is expected to double by 2035. And older Americans account for a small percentage of life insurance sales (see box), creating lots of room for growth.

Before you buy a policy, understand the risks. Some insurers report an increased interest among older customers in term life insurance, which pays out a death benefit if you die while the policy is in effect. But if you outlive the term of your policy and apply to renew it, your premiums will likely skyrocket, says David Bergmann, a financial planner in Marina del Rey, Calif.

Cash value life insurance, such as whole life and universal life insurance, has an investment feature and is designed to provide permanent coverage. But the policies are much more expensive than term life insurance, says Robert Hunter, director of insurance for the Consumer Federation of America.

Before investing in a cash value policy, consult a fee-only financial planner who doesn't receive commissions for selling a particular product, Hunter suggests.

Who needs insurance

Traditionally, parents of young children have been the biggest buyers of term life insurance. But some older Americans have big responsibilities, too. You may want to consider a term life policy if:

- You want to provide security for dependent grandchildren. Many older Americans are caring for their grandchildren, says Chris Cooper, a financial planner in Toledo, Ohio. In that case, a term life insurance policy will help support them if you die before they can care for themselves, he says.

If your grown children have decided to go back to school or are pursuing a graduate degree, a short-term insurance policy would help pay for your child's education costs without tapping your estate, Hunter says. Depending on how long your child is in school, a five-year term policy may be all you need, he says.

- You want to provide financial security for a younger spouse. If you're older than your spouse, a term life insurance policy could provide income for your spouse after you're gone. And unlike other assets, such as investments and real estate, your spouse won't have to sell anything or wrestle with thorny tax issues to get the money, says Malcolm Greenhill, a financial planner in San Francisco. "If something happens to you, the insurance company has to pay out, tax-free, in cash," he says. "There are very few vehicles that can compete with that."

The downside: You could outlive your policy. If you're in your 60s, you may be able to find a company that will sell you a 20-year term policy, Greenhill says. But there's a reasonably good chance you'll live into your 80s, which means you'll have to come up with another way to support your spouse. "Insurance shouldn't be about gambling," Greenhill says. "It's too important."

Sandra Block covers personal finance for USA TODAY. Her Your Money column

appears Tuesdays. [Click here](#) for an index of Your Money columns. E-mail her at: sblock@usatoday.com.

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