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## **As the cost of homeownership increases, life insurance protection takes on a new urgency - by Steven Vaphiades**

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SBLI

As the cost of housing has risen dramatically in recent years, spurred on by persistently low mortgage interest rates as well as a lack of available inventory, it should come as no surprise that there has been a concurrent increase in the amount of mortgage debt being carried by American homeowners.

According to U.S. Census Bureau data and Federal Reserve Economic data, the average sale price for new homes increased 46 percent from 2009 to 2019.<sup>1</sup> The Federal Reserve Bank of New York recently reported that at the end of 2019, aggregate mortgage balances reached \$9.56 trillion, with mortgage originations in the fourth quarter jumping to the highest volume since the same period in 2005.<sup>2</sup> Experian data tell us that the average individual mortgage balance now stands at \$203,296, an increase of \$4,919 from 2018.<sup>3</sup>

The bottom line of these statistics: It is more important than ever for homeowners to protect their loved ones from the risk of losing their home (and way of life) in the event of the death of one of the family breadwinners, and the best way to provide this protection is by purchasing a life insurance policy or increasing your existing life insurance.

If you recently secured a mortgage, or are considering one, select a life insurance policy accordingly. For those who have refinanced their mortgages lately, perhaps increasing the loan amount to take cash out of equity, now is a good time to reevaluate your life insurance needs. Another factor to consider is whether you have recently started a family or your family has grown, which will also affect the amount of protection you need. An easy-to-use life insurance calculator is available at The Savings Bank Mutual Life Insurance Company of Massachusetts' (SBLI) website, [SBLI.com](http://SBLI.com).

Guaranteed level premium term life insurance provides a set death benefit for a specified length of time, usually 10, 15, 20, 25 or 30 years, with premiums guaranteed to never increase over the term

selected. Your premium will ultimately be determined by your age, health, and other underwriting factors; i.e., the younger and healthier you are, the lower your premiums will be.

A 20- to 30-year level premium term life insurance policy is a good choice for homeowners with young children. With term life insurance, your beneficiaries can use the money from your policy as they see fit. Over the life of the policy, as the mortgage balance decreases, an increasing amount of the proceeds would be available for other priorities, such as college tuition, maintaining their lifestyle, or other needs.

Before making your purchase, you also should consider the financial strength and stability of an insurance company, to ensure that they will be there when you need them. Independent rating agencies such as A.M. Best assign ratings based on a company's finances and claims-paying ability. SBLI has an A.M. Best rating of A (Excellent).<sup>4</sup>

There's so much more to your home than bricks and mortar. From a family room full of memories to backyard barbecues, your home provides your family with happiness, comfort and safety. The thought of your family being forced to leave their home shortly after losing you is unsettling. But with dependable term life insurance in place, they can continue to live comfortably in the home you have worked so hard to provide.

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1 "Mortgage Loan Debt Increases for the Seventh Straight Quarter" – Experian.com, July 16, 2019.

2 "Household Debt Tops \$14 Trillion as Mortgage Originations Reach Highest Volume Since 2005" – Federal Reserve Bank of New York, [www.newyorkfed.org](http://www.newyorkfed.org), February 11, 2020.

3 "2019 Consumer Credit Review" – Experian.com, January 13, 2020.

4 Visit [www.ambest.com](http://www.ambest.com) for more details.

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