

Why Federal Employees generally overpay for Life Insurance

If you are healthy, FEGLI is too costly!

Federal employees have great benefits! They include a retirement pension, the Thrift Savings Plan (TSP). One area, however, that Federal Employees could do better is their life insurance coverage. For most healthy people, the Federal Employee Group Life Insurance (FEGLI) is too costly.

After over ten years serving U.S. federal employees, one area we can often deliver significant improvement is in their life insurance coverage. FEGLI coverage is obtained with a payroll deduction that increases a lot with age. Every five years, the cost is higher until it is barely affordable for pre-retirees.

This situation happens because it is quite simple to sign up for it as part of the onboarding process. Most new federal employees go with the flow. People do a simple calculation of the cost per payroll cycle and generally do not compare with options in the competitive private life insurance market. The annual premium cost per dollar of death benefit is rarely a good deal.

In group life insurance, all employees are part of the same risk pool. People with health conditions, smokers, males, and females are all in the same group. For employees with health conditions, it can be an excellent opportunity to obtain life insurance coverage. For healthy people, however, it is not a good deal. The situation is particularly disadvantageous for women. Because women are less likely to die than men, they pay less for life insurance coverage, all else constant. For FEGLI, women and men pay the same premium!

As a concrete example, a female federal employee in Washington, DC, in **excellent health**, who is **47** today and salary of **\$120,000** per year intending to obtain maximum FEGLI coverage, **\$732,000**, until the normal retirement age of **67** (20 years), would pay today **\$1,586** per year. In the years immediately before retirement is would pay **\$9,056** to keep this coverage. See the [FEGLI Calculator](#). The total amount in premiums for these 20 years would be **\$89,690!**

The same healthy individual in the private market could get a **20-year** term policy with a death benefit of **\$750,000** for a constant annual premium of **\$744**. The total premium amount for the same 20-year period would be **\$14,880**. See this life insurance [rate estimator](#). The total savings, in this case, are **\$74,810**. And you have even more protection for your family - \$750,000 vs. \$732,000!

If you are a Federal Employee in this situation, you can take action now. Stop overpaying for life insurance. We can help you deliver this new year resolution.