

Article Describing Chris Callen's "Focus Strategy Approach" To Life Insurance Planning

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Sally McKenzie, CEO
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Your Money or Your Life Insurance? Be Wary of Overly Expensive Plans

Life Insurance
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As my friend, Chris Callen, sums it up, "Your health is your wealth and your health is never guaranteed." No, there are no guarantees, as we've all learned. Consequently, we take steps to prepare for the possibility that our best laid plans may or may not come to fruition. Insurance – health, disability, and life – are the safety nets we hope neither our families nor we ever need, but we derive some reassurance in knowing we'll have a plan should our circumstances change. While the disability insurance plan is essential throughout your career, the life insurance policy is a must during the years in which your **financial obligations are**

significant.

Chris is an [independent insurance agent](#), whose company works primarily with dentists. He finds that one of the biggest mistakes dental families make when it comes to life insurance is not purchasing enough on the dentist in the early years. "Dentists will purchase a million dollar policy and think they are covered. But, like disability insurance, life insurance is purchased to **replace income** in the event that the unthinkable happens."

In most cases, the surviving spouse would put the proceeds from a million dollar insurance policy in the bank and live off the interest income, which would amount to about \$50-\$60,000 a year after taxes. In reality, they will

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need much more than that to cover expenses and **raise the surviving children**. When purchasing a life insurance policy, the key is to determine how much your family will need to live on, particularly if the surviving spouse is a stay-at-home parent and they have to pay off school debt, mortgages, and college tuition for surviving children. Chris recommends families consider **70% of the current income** as their benchmark when determining the level of life insurance income that would be necessary.

However, Chris emphasizes that dentists won't need that level of life insurance throughout their careers. "Life is a bell-shaped curve. You start out as a young dentist with a lot of debt, a lot of responsibility, and no money. As your life moves up the left side of that bell-shaped curve, you have a family, a house, a new practice, life insurance plugs the gap and **covers the obligations** if something happens.

"When you reach the top of the bell-shaped curve, kids finish school, the house is paid off, etc. You can start whittling down the life insurance. Then you start heading toward **financial independence**. Once you are financially independent, you don't need life insurance," explains Chris.



He recommends that most dentists carry between \$1.5 and \$3 million in life insurance on themselves and between \$250 thousand and \$500 thousand on a stay at home spouse with kids until they achieve financial independence. Chris notes that many dentists who work with financial planners can become largely **debt free** within 15-25 years.

Given that the need for life insurance is **temporary**, dentists should steer clear of purchasing permanent life insurance plans, known as Whole Life or Universal Life. Term Insurance will provide excellent coverage and is very inexpensive. "Purchasing Whole Life or Universal Life insurance coverage means you'll be **paying for it your entire life** and long after you need that kind of insurance coverage. If you purchase a Whole Life policy, you're looking at spending \$12,000 to \$25,000 a year versus a 20 year Term Insurance policy for the same coverage at \$600-\$700 a year."

Keep in mind that life insurance is not an investment and should never be considered one. "You want adequate coverage but you want that coverage at the **lowest possible price** because your money is always better off in investments. If someone is trying to push insurance as an investment, it's because they stand to earn a nice commission off the sale, particularly if it's a Whole Life or Universal Life insurance policy," cautions Chris.

He also urges dentists to be wary of Variable Life insurance policies and annuities as these have the potential to become very expensive, and they are not guaranteed. "You can end up paying \$20,000 a year or more for a policy that could have zero value at a much later date."

Shop around for **Term Life Insurance** policies every two-to-five years. Term insurance rates have dropped recently because average life expectancies have increased over the years. Be sure to look for a guaranteed rate as well.

Sally McKenzie is CEO of [The McKenzie Company, Inc.](http://TheMcKenzieCompany.com), a nationwide dental management, practice development and educational consulting firm. Working "on-site" with dentists since 1980, McKenzie Management provides knowledge, guidance and personalized systems that have propelled thousands of general and specialty practices to realize their potential. Sally can be reached directly at 1.877.777.6151

Interested in speaking to Sally McKenzie about your management concerns? Email her at Sally@thedentistsnetwork.net

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