How Much Is a Million-Dollar Life Insurance Policy?

While it may seem excessive, a million-dollar life insurance policy may provide just the right amount of financial protection for your family. Million-dollar life insurance policies can also be quite affordable, especially for young, non-smokers in good health. The monthly rates for a million-dollar term life insurance policy range from $43-$52 for female and male policyholders, respectively. Besides gender, other factors that affect rates include age, policy term length, and health history. Explore the true value of a million-dollar life insurance policy below.

Ensuring Your Loved Ones Are Taken Care Of

Buying life insurance is one of the ways you can ensure your loved ones are taken care of in the event of your death. The right life insurance policy can help your family live comfortably even after your steady income stream ends. Life insurance payouts are commonly used for funeral costs, housing, living expenses, and college tuition.

A million-dollar life insurance policy is especially appropriate for parents of multiple dependents and business owners, since other people rely on these policyholders for their earning abilities. Depending on your unique financial obligations and your family's projected expenses in the event of your death, you may need a million-dollar insurance policy to replace your income.

What To Know About Life Insurance

Life insurance covers the beneficiary(ies) when the policyholder passes away. When purchasing a life insurance policy, you may choose from a variety of plan types and death benefit amounts. People are often unaware of how affordable premiums can be for a high-value policy. Forbes estimates that nearly 90% of Americans depend on life insurance for financial security, but nearly the same percentage (82%) grossly overestimate the cost of getting coverage.

Common Reasons to Need Life Insurance

Individuals may need life insurance for a wide variety of reasons, depending on factors like savings, debt, and long-term expenses like a mortgage or college tuition payments. Some of the most common reasons for buying life insurance include:

- **Income Replacement:** Policyholders typically want their family to be able to maintain their current lifestyle even after the policyholder passes away
- **Funeral and Burial/Cremation Costs:** Smart end-of-life planning often includes making sure the policyholder's beneficiaries can cover their final expenses
- **Inheritance or Charitable Gift:** Policyholders can choose to leave a legacy for their beneficiaries or donate some or all of their death benefit to charity
- **Estate Planning:** Beneficiaries can use the death benefit to cover any estate taxes that come due when they receive their inheritance

Life Insurance Costs Explained

Age is the primary factor affecting the cost of a million-dollar life insurance policy, though other criteria including health, gender, and lifestyle also play a major role. Young, relatively healthy life insurance policyholders typically enjoy lower premiums and can grow death benefits over time.

Since females tend to have longer lifespans, they typically pay lower premium costs than males. Life insurance costs also depend on individual considerations like how hazardous a person's occupation is, and whether they use tobacco regularly or add riders to their plan. Generally, monthly premiums contribute to the policy's death benefit amount and cash value.

See It In Action

People of different genders may pay different prices for the same life insurance policy. For example, a 30-year-old man might expect to spend roughly $400 on a 30-year term life insurance policy valued at $1 million; however, the same policy could cost as much as 25% less for a woman with the same risk profile.

Age, health, and term length also weigh heavily on the cost. Non-smokers in their 30s enjoy the lowest rates for million-dollar life insurance policies, though males still pay more than females. Both genders incrementally pay more for 10-, 20-, and 30-year policies when they reach their 40s or 50s. While short-term options still exist, 30-year terms for people over 60 are hard to find.

Average Rate for a Million-Dollar Policy

Term life insurance is the most common coverage type. Costs differ for men and women according to policy length, even when all other criteria are the same.

$1 million, 10-year term

Annual cost for a $1 million, 10-year term policy

Age	Female	Male
30	$280	$340
40	$400	$500
50	$1,000	$1,250

$1 million, 20-year term

Annual cost for a $1 million, 20-year term policy

Age	Female	Male
30	$400	$540
40	$700	$850

50	$1,700	$2,300

$1 million, 30-year term

Annual cost for a $1 million, 30-year term policy

Age	Female	Male
30	$660	$840
40	$1,200	$1,500
50	$3,000	$4,100

Advantages and Disadvantages of a Million-Dollar Policy

While the majority of Americans could use financial support for end-of-life expenses, a million-dollar life insurance policy may not suit everyone. Consider weighing the following pros and cons for your unique circumstances.

Advantages

- **Financial protection for major expenses:** A million-dollar life insurance policy can provide adequate coverage for beneficiaries to maintain a comfortable lifestyle.
- **Extended coverage compared to a lower death benefit:** Beneficiaries may be able to stretch the payout from a million-dollar policy through installment payments.
- **Tax benefits for policyholders and beneficiaries:** Policyholders can deduct premium payments and beneficiaries are not required to pay taxes on death benefit payouts.

Disadvantages

- **Not necessary for everyone:** A million-dollar life insurance policy may be unnecessary for beneficiaries who need less coverage or have other means of paying final and living expenses.
- **Premium costs may exceed your budget:** The stress of paying high premiums for a million-dollar life insurance policy, especially if you are over 60, may outweigh the benefits of a larger payout.
- **Medical exam requirement:** Most million-dollar life insurance policies require medical underwriting, which can sometimes turn off prospective policyholders.

Should You Buy a Million-Dollar Life Insurance Policy?

A million-dollar life insurance policy might sound more than adequate, but it may not completely cover every family's expenses, especially if the head-of-household passes away. Every policyholder is different and should consider how much they can afford to spend for the coverage they need before deciding to purchase a million-dollar life insurance policy.

Consider criteria such as how many years worth of salary you would like to make available to your family after your death, how much your family needs for day-to-day living expenses, and how much your dependents might need for major, long-term expenses such as college tuition. You should also factor in any existing savings and/or outstanding debt, to determine whether a million-dollar life insurance policy is the right fit for your budget.

How to Get a Million-Dollar Life Insurance Policy

Once you decide to purchase a million-dollar life insurance policy, you can request quotes from a variety of insurance providers online. Insurers may offer several term length options and will likely calculate your premium cost based on criteria like your height, weight, health history, tobacco use, family medical history, lifestyle, occupation, and even future travel plans.

Life insurance providers commonly require medical underwriting to verify your health status and potentially offer you lower premiums for presenting minimal health risk. The medical underwriting process consists of a health exam, typically including taking vital signs, recording height and weight measurements, and collecting blood samples. While no-exam policies exist, they cost more and are especially scarce for high-value policies of $1 million and above.

Alternatives to a Million-Dollar Life Insurance Policy

A million-dollar life insurance policy is not necessary for everyone. You may be better suited to an alternative such as less expensive coverage, final expenses insurance, or an annuity or traditional savings plan.

Consider a policy with a death benefit under $1 million if you are looking for a more affordable monthly premium payment. Most insurers offer 10-, 20-, and 30-year term lengths and may not require medical underwriting for policies with lower cash values.

You can also choose to protect your beneficiaries through an annuity, or long-term insurance that provides income-replacement payments, or open a traditional savings account. If you plan to self-save your death benefit, be sure to name a beneficiary or beneficiaries on your account.

Final expenses insurance offers an alternative only for costs like paying outstanding medical bills and mortgage payments, and funeral and burial or cremation when a person passes away. This option does not cover living expenses for your beneficiaries in the event of your death.

All in All

When it comes to life insurance, million-dollar-policies might be more popular than you think. A million-dollar policy can provide enough coverage to ensure a policyholder's family is taken care of in the event of their death, including funeral costs, living expenses, and college tuition. Gender and age have the most significant impact on premium costs for a million-dollar policy.

Achieving such a high-value death benefit can be surprisingly affordable for almost anyone; however, healthy individuals in their 30s enjoy the lowest rates for million-dollar life insurance policies of varying term lengths. Calculate your family's future expenses to determine whether a million-dollar life insurance policy is right for you.

Frequently Asked Questions

Can I have multiple life insurance policies that collectively exceed a million dollars?

Yes, you may have multiple life insurance policies collectively exceeding $1 million dollars. While there are no legal limits on universal life policy ownership, some insurers do impose limits between $5 and $10 million for high-value policies in order to limit their proprietary risk. Policyholders may choose to buy separate million-dollar policies from multiple insurers.

Are there any tax implications for the beneficiaries of my million-dollar life insurance policy?

Most death benefits are tax-free for life insurance beneficiaries; however, this may depend on the cash value of the policy and how the payout is distributed. The first $11.7 is tax-free but any funds exceeding this amount are subject to taxes, as are cash withdrawals in some cases. Additionally, the interest earned on the account is taxable if the beneficiaries are paid in installments rather than a lump sum.

Can I increase the coverage amount of my million-dollar policy in the future?

Yes, you may be eligible to add to your death benefit amount in the future if you have an increasing term policy with this special provision. Though uncommon, increasing term policies allow policyholders to add to their death benefit without undergoing a medical underwriting process, but only if the policyholder meets certain other criteria and only at set times during the term coverage period.

Next Article Below

Can You Have Two Insurance Policies at the Same Time?

Yes, you *can* have two health insurance plans at the same time, which may help cover out-of-pocket costs and reduce policy lapses and coverage gaps. Dual health insurance is quite common and perfectly legal, relying on the coordination of benefits (COB) to process claims. Explore the pros and cons of having two health insurance plans.

Why Have Dual Health Insurance?

Roughly 43 million Americans held multiple health insurance policies in 2021, especially people aged 65 and older, according to the U.S. Census Bureau. Dual health insurance can benefit a variety of demographic groups, including:

- Seniors looking to supplement their private insurance plan with Medicare and/or Medicaid coverage
- Individuals with employer coverage who are also covered by their spouse or domestic partner's employer
- Young adults (under age 26) with their own health insurance policy who are also covered as a dependent on a parent's plan
- Dependents covered by both of their divorced parents' health insurance plans

The Mechanics of Having Two Health Insurances

Coordination of benefits is critical to processing claims for individuals with dual insurance plans. COB designates a primary plan and secondary plan, determining the order in which claims are paid. According to this system, the primary plan pays first, up to the coverage limit, followed by the secondary plan, which may pay some or all of the remaining costs up to a certain amount.

While holding two health insurance plans at once may help minimize out-of-pocket costs, it does not eliminate your healthcare expenses entirely. You may still owe copays or coinsurance for routine doctor visits or services that exceed the coverage limits of both plans. Your individual dual health insurance arrangement determines how primary and secondary plans handle COB.

Common Dual Health Insurance Arrangements

Primary Health Insurance	**Secondary Health Insurance**	**Reason**
Your employer-sponsored health insurance	Spouse's employer-sponsored health insurance	You and your spouse include one another on your respective employer-sponsored health insurance plans to increase benefit and network options.
Your employer-sponsored health insurance	Your parent's health insurance	You keep your parent's health insurance as a back-up as long as you can (until age 26 in most states), to supplement your employer coverage
Your own health insurance (employer-sponsored or individual private plan)	TRICARE	You qualify for special benefits available only to active-duty or veteran members of the U.S. military

		through TRICARE, to supplement your own health insurance plan
Your own health insurance (employer-sponsored or individual private plan)	Medicaid	You have employer benefits or a private insurance plan but also meet the income requirements for Medicaid coverage
Your employer-sponsored health insurance	Medicare	You are age 65 or older and still working full time with employer-sponsored benefits

Pros and Cons of Dual Health Insurance

Finding the right coverage can help you stay healthy—and on budget. As is the case when shopping for any kind of coverage, there are pros and cons of having two health insurance policies.

Pros

- **Double the benefits:** One policy might offer coverage the other doesn't, such as covering certain prescription drugs or healthcare services, or doctors in a local network.
- **Lower out-of-pocket costs:** You may owe as little as $0 for the remaining expenses after coordination of benefits between your dual insurance policies.
- **Reduced risk of lapse:** Having a secondary plan means you will stay protected even if you lose your job or age out of your dependent coverage (on your parent's policy).

Cons

- **Double the premiums and deductibles:** You must pay two monthly premiums and meet two annual deductibles In order to enjoy the benefits of two health insurance plans.
- **Still only covers limited expenses:** Both your primary plan and secondary plan only cover claims up to their respective policy limits, so even dual coverage cannot exceed 100%.
- **Requires more paperwork and patience:** COB can be complicated and may take longer to process claims than cases involving only one health insurance plan.

Do You Need Two Health Insurances?

Just because you *can* have two health insurance plans does not necessarily mean you need to. The following are some of the common factors to consider when shopping for dual health insurance:

- **Does your current coverage meet your needs?** You may seek a secondary plan if your primary insurance lacks the coverage you need for basic medical expenses. For example, you may have limited coverage options through your employer but need more support for a serious health issue that requires ongoing medical care.
- **Will having another health insurance plan add more benefits?** Adding a second health insurance plan can unlock additional benefits, such as pharmacy or vision healthcare services; however, COB determines how much or how little a secondary plan might pay for you to access these benefits once the primary plan pays first.
- **Will having another health insurance plan extend your health network options?** A second plan may cover doctors and facilities outside of your current plan's network. Some policyholders may choose dual health insurance if, for example, their preferred provider or specialist is out-of-network under their existing employer or Medicare plan.
- **How much more will adding another health insurance plan cost?** Generally, you should consider if your budget can accommodate two health insurance plans. While premium and deductible amounts vary, your financial obligation might be especially low if you have help, like if you are under age 26 your parents' pay for your dependent coverage and you also have an employer-sponsored plan.
- **How much will adding another health insurance plan help you save in the long term?** Consider whether the benefits of dual health insurance outweigh the additional costs, in your case. You may be willing to accept a negligible increase in premium and deductible costs if it means you could owe as little as $0 out of pocket after COB.
- **Is it ultimately more efficient than changing your primary health insurance instead?** You may decide to add another health insurance plan instead of changing your primary health insurance due to timing or availability. For example, you may miss the window to make changes to your plan or have limited options for existing coverage, whereas adding a plan offers more choices to expand benefits and provider networks.

Mistakes to Avoid When Managing Your Dual Coverage

Proper management of dual coverage requires careful tracking of COB and organizational skills. Following best practice guidance can help you to avoid the following mistakes when managing two health insurance plans at once:

- **Double billing:** Always review your explanation of benefits so you understand what each policy covers and learn how to read your itemized healthcare bills to stay on top of double billing mistakes. While you are at it, double-check your bills for any clerical errors that could cause your claim to be delayed or denied.
- **Unrealistic budgeting:** Expecting either of your policies to pay more than 100% of your healthcare costs is impossible and could seriously disrupt your finances, since each policy will only pay claims up to their respective coverage limits. Remember: you may still incur some out-of-pocket costs for healthcare services.
- **Assuming claims will be processed quickly:** Coordination of benefits for dual health insurance often takes more time than a claim processed through a single insurance provider. Even in the best case scenario, submitting a claim to two health insurance plans in order of priority requires more patience and persistence than only one plan.

Putting It All Together

Many Americans, especially seniors, seek dual health insurance coverage. Individuals can select the right combination of employer-sponsored, private, and federal- and state-funded benefits that fit their unique budget and medical needs. While dual health insurance plans require double the premiums and deductibles, the COB process can help save on out-of-pocket costs, prevent policy lapses, and fill gaps in coverage for much-needed medical care.

Frequently Asked Questions

Can children be covered under two health insurance plans from each parent? Yes, children under age 26 may be covered by both of their parents' insurance plans. Depending on whether the parents are married or unmarried, primary and secondary payers are determined by either the birthday rule or the current custodial agreement.

How does dual health insurance handle prescription medications?
Coordinating prescription benefits is similar to processing a medical claim with dual insurance. Your pharmacy sends the claim for your prescription to your primary plan first, then to your secondary insurance plan if additional costs remain. If your primary plan does not offer prescription benefits, your pharmacy will attempt to process through the secondary plan.

Are there any tax implications for having two health insurance plans? While you may enjoy lower rates for individual Affordable Care Act (ACA) plans based on your income, you are ineligible for these tax subsidies in the ACA Healthcare Marketplace if you also have employer health coverage. Dual insurance coverage can also impact your ability to contribute to tax-deductible health savings accounts.

What are the risks of not coordinating benefits properly between two health insurance plans? Improper or ineffective coordination of benefits can lead to excessive out-of-pocket costs. Even a minor clerical error can cause policyholders to be denied critical healthcare services or overpay for covered benefits. Contact your dual plans directly to explain your bill.

What should I do if both of my health insurance plans deny a claim? You have the right to appeal your claim denial, internally and externally, if necessary, through both insurers. Start by contacting your provider, making sure no clerical errors were made at this step of the process. Then, ask your primary and secondary plans how to proceed with an appeal and file forms with both simultaneously, since most decisions offer a time limit of 60 days to file an appeal.

Next Article Below

The Definitive User's Guide — Medicare SELECT

- Medicare SELECT plans offer a more limited version of Medigap supplemental coverage. Enrollees in Medicare parts A and B can get help paying for local, routine healthcare services through Medicare SELECT.
- Medicare recipients can enjoy low premiums in exchange for limited supplemental coverage through Medicare SELECT. These plans are abbreviated versions of Medigap coverage, also known as Medicare parts A-N. SELECT plans are only available through

some carriers and in certain areas, and require enrollees to use hospitals and physicians within a designated network.

Exactly what is a Medicare SELECT plan? Medicare SELECT provides supplemental coverage for original Medicare, but with more limitations and restrictions than a Medigap plan.

What is a Medicare SELECT Plan?

Medicare SELECT is ideal for people seeking affordable coverage to pay for the gaps in Medicare parts A and B. Medicare SELECT plans are available at the discretion of individual insurance carriers and cover only certain doctors and hospitals in a limited network. .

Medicare offers health insurance to seniors (age 65) and people with qualifying disabilities. Medicare consists of multiple parts, outlined below.

- **Medicare Part A** and **Medicare Part B**, or "original" Medicare, covers basic hospitalization and routine outpatient medical care.
- **Medicare Part C**, also known as Medicare Advantage, offers additional coverage including dental and vision benefits.
- **Medicare Part D** covers prescription drugs for recipients of original Medicare.

A traditional Medicare supplement plan (Medigap) covers the costs of some expenses like copays, coinsurance, and deductibles not included in original Medicare. Medicare SELECT provides similar but more limited coverage for Medicare A and B recipients.

How Do Medicare Select Plans Differ From Other Medicare Supplements?

Medicare SELECT and supplement plans are similar but with some key differences. Medicare SELECT is a less common version of Medigap only offered by some carriers in certain areas. SELECT coverage suits enrollees who do not travel and are satisfied with the healthcare providers included in their limited network.

Medicare recipients seeking supplemental benefits in a broader nationwide network might consider a more comprehensive Medigap plan. Traditional Medicare supplemental coverage includes a larger pool of in-network providers, better suited to travelers than Medicare SELECT.

Candidates should also consider the financial benefits of Medicare SELECT vs. Medigap. Enrollees should make sure the cost savings of choosing a SELECT plan outweigh the limitations of coverage. While these plans bridge the gaps of Medicare parts A and B, candidates must enroll in Medicare Advantage to get extended benefits like dental and vision.

What's the Difference Between Medicare SELECT vs Medicare Advantage?

Medicare Advantage plans (Medicare Part C) are offered privately by insurance carriers to provide extended coverage to Medicare parts A and B. Enrollees in original Medicare can purchase an Advantage plan to potentially add benefits not included in their basic care.

- Medicare Advantage is widely available through private insurance carriers.
- Candidates must be enrolled in original Medicare and can purchase an Advantage plan separately.
- Medicare Advantage covers extended benefits like dental, hearing, and vision.
- Advantage also includes Part D prescription drug coverage.

Medicare SELECT supplements the basic hospital and medical care provided by Medicare Part A and Medicare Part B. SELECT enrollees enjoy financial support for some costs not covered by basic Medicare including copays, coinsurance, and deductibles.

- Medicare SELECT is offered privately through certain independent insurance carriers.
- Candidates must be enrolled in original Medicare to qualify to purchase a SELECT plan.
- Medicare SELECT provides some additional financial coverage for routine hospital and medical services provided by original Medicare.
- SELECT does not offer additional healthcare benefits.
- Recipients can only use certain hospitals and healthcare providers.

How Do Medicare Select Plans Differ From Other Medicare Supplements?

Medicare enrollees can choose from a variety of Medigap plans. Multiple plans exist, each represented by a different letter and offering different benefits. Medicare Part G and Medicare Part F, for pre-2020 enrollees, are among the most popular for their broad coverage. Generally, Medicare supplement plans with broader coverage cost more than minimal coverage plans.

Insurance companies offer Medigap plans largely based on the coverage each plan provides. Plans supplement the benefits covered in Medicare parts A and B in varying percentages. For example, some plans cover 100% of hospice care, nursing home coinsurance, and blood draws up to three pints, while others cover only 50%-75% of costs or do not offer any coverage.

Carriers commonly offer SELECT versions of lettered Medicare supplement plans, such as Medicare Part G Select. These SELECT plans typically offer the same benefits as their Medigap counterparts, except they do not cover a national network of providers.

Does Medicare SELECT Cover Me While I'm Traveling?

Medicare parts A and B offer standardized healthcare coverage across the United States. While more comprehensive Medigap plans may cover emergency and non-emergency care to varying degrees in all 50 states, Medicare SELECT plans are limited to specific coverage areas.

Medicare SELECT covers a percentage of the costs of out-of-network emergency care inside the United States. SELECT policyholders generally do not receive benefits for out-of-network non-emergency care. SELECT plans only cover international travelers (outside the U.S.) in an emergency and then only up to that plan's limit of liability.

Should I Get a Medicare SELECT plan?

Some seniors are perfect candidates for a Medicare SELECT plan, while others may be better suited to full Medigap or Advantage coverage. First, those interested in Medicare SELECT plans should make sure carriers offer this limited coverage in their area. Since Medicare SELECT is largely based on geographical availability, it is not an option for everyone.

People who need coverage outside the scope of original Medicare such as dental, vision, and/or prescription drug benefits should pursue a Medicare Advantage plan. Alternatively, those who prefer the low premiums of supplemental Medicare insurance but feel boxed in by SELECT might consider a traditional Medigap plan instead.

How Do I Enroll in Medicare Select?

Seniors can enroll in Medicare up to three months before or after their 65th birthday, so the initial enrollment period for Medicare parts A and B is different for everyone. New Medicare enrollees should then receive their ID card and notification of their Part B effective date, after which they can apply for a SELECT plan.

New Medicare recipients enjoy a six-month open enrollment period for Medigap or SELECT coverage, beginning the day their Part B coverage goes into effect. This open enrollment period is the only time new recipients can apply for supplemental coverage with no questions asked, including regarding any pre-existing conditions.

At the end of this open enrollment period, candidates must undergo medical underwriting and submit to further medical questioning to apply for a Medicare SELECT plan but they may do so at any time. Once enrolled in Medicare SELECT, recipients can only make changes during Medicare's annual open enrollment period.