To backdate or not to backdate?

Backdating – What is it?
Backdating is simply picking out an earlier effective policy date than the current date. This is the date where the premiums start being charged along with any other date specific parts of the policy. You can backdate up to 6 months previous to the date of the application.

Why do it?
The main reason people backdate is to save the client's current age so they won't have to pay a higher premium. If you client is nearest age 64, you can backdate and have the age 63 premium charged instead of the age 64 premium.

What is the downside?
The downside of backdating is that premiums will need to be paid from the backdate even in the insured did not have a policy at that point. You are basically paying premiums for insurance that you did not use. Depending on how far you backdate the policy the charge could go anywhere from 1 day to six months' worth of premiums.

Here is an example of backdating.

Joe is currently age 64 nearest birthday. If he backdate 3 months, he would have an age nearest of 63 and a lower premium.

Joe's age 63 monthly premium is $418, Joe's age 64 monthly premium is $438, so by backdating Joe's is saving $20/mo. each month. But to get that backdated policy, Joe will need to pay those 3 premium from the backdate to the current date to put the policy in force. He will need to pay the monthly premium of $418 (3 times for a total of $1,254). If he wanted to take the current dated policy, he would only need to pay the one premium of $438. Is it worth it? Joe had to pay $1,254 to save $20 a month; it would take 62.7 months (5.22 years) before he would be saving money with the backdated policy. If this was a 10 year term case, it would probably not be a good idea. If it was a UL payable to age 100, it would be a much better idea.