



Client Articles

Life Insurance -- Can You Afford Not to Have Enough?

Description

Regardless of where you are in life, life insurance is a topic that should capture your imagination and inspire you to action.

Body

If you're like a lot of people, the idea of spending 10 or 15 minutes reading about the importance of life insurance may not seem like the best way to spend your free time. But considering the life-changing role that it could play for young families, well-established older workers, and retirement-age Americans alike, life insurance really is a topic that should capture your imagination and inspire you to action.

First: A Family's Financial Safety Net

Almost without exception, every young family should have life insurance coverage that will provide enough money to make up for a loss of income and to finance post-death expenses, such as funeral costs. For example, the proceeds from a life insurance policy can allow a surviving spouse, children, or other dependents to:

- Continue to maintain the same standard of living
- Purchase a home/pay off a mortgage
- Repay other debts
- Finance tuition costs
- Supplement future retirement funding needs

Because there is no universal ground rule that establishes exactly how much coverage each family should have, you'll need to conduct a life insurance needs analysis to determine your exact requirements. That involves identifying and quantifying all of the financial variables in your household, such as net earnings after taxes, daily and routine living expenses, outstanding debt, future tuition bills, and how much your surviving spouse might need for retirement. Ideally, you should have enough life insurance to cover all of those anticipated costs.

Next: Protecting Net Worth and Lifestyle

While the "young family" stage of life isn't a permanent reality, the need for ongoing life insurance coverage usually is. Even older, more financially established couples and individuals could also potentially benefit from owning life insurance. Not only can a life insurance policy help protect your existing wealth and lifestyle, it could also enable you to accumulate additional tax-deferred assets.

Imagine, for a moment, that Jim and Carol are 50-year-old "empty nesters" with no young children, no mortgage, good jobs, and some (but not all) of the retirement savings they'll need. Because they're "peak earners," they can afford to travel often to visit their grown children and also make charitable donations each year to support their favorite causes.

Does that mean they don't need life insurance? Absolutely not. If either Jim or Carol died without coverage, the sudden lack of income may mean that the surviving spouse would be unable to retire on schedule, travel often to see family members, or support the community with charitable contributions.

On the other hand, owning life insurance could provide both Jim and Carol with lasting peace of mind, as well as the ability to accumulate additional tax-deferred savings (depending on the type of life insurance they choose).

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Retirement and Insurance: A Good Match

Reaching the retirement (or preretirement) stage of life is another occasion that should probably prompt you to review your life insurance needs. Some people mistakenly think they don't need life insurance if they're widowed or without other financial dependents in their post-working years, but that type of thinking could prove to be short-sighted.

Even without the need for a death benefit to provide direct support to a loved one, the assets from a life insurance policy could allow your surviving family members to avoid selling off the assets you accumulated during life (real estate, investments, personal possessions, etc.). This sometimes needs to be done to pay federal estate taxes, which can be as high as 45% of the value of the assets you leave behind. Life insurance can also be used to build wealth for future generations or support charitable endeavors.

To learn more about how life insurance may potentially fit into your overall financial affairs, contact your financial advisor or insurance agent -- no matter what your current situation may be.

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