THAT'S LIFE

Life Insurance Plays a Key Role in the Financial Planning Process

Today, life insurance is a key part of a solid financial plan.

You can use life insurance to leave much-needed income to your survivors, provide for your children's education, pay off your mortgage, and simplify the transfer of assets. It can also be used to replace wealth lost due to the expenses and taxes that may follow your death, and to make gifts to charity at relatively little cost to you.

There are two basic types of insurance: temporary and permanent, with many variations within each type.

Temporary (term) insurance

As a general rule, people purchase term-insurance policies to insure their families for a given period of time, usually no longer than 15 to 20 years. For instance, term insurance is often purchased by homeowners carrying a mortgage or by parents of young children. Term insurance is also called pure insurance—it consists of a death benefit only. It's inexpensive compared to other types of life insurance products.

Permanent insurance

If your insurance needs are longer than approximately 20 years, it's usually more cost effective to use a "permanent" life insurance policy. Whole life and universal life are common types of permanent life insurance. These types of products contain an investment component, and can allow you to accumulate savings on a tax-deferred basis. Some allow you to borrow against any cash value you have built up in the policy.[1]

There are many different types of life insurance products to fit your own personal needs and situation. Check out the following resources to learn more. In addition, you may want to retain the services of a professional financial planner to help you determine your life insurance needs.

[1] Policy loans accrue interest and will reduce the death benefit. A policy loan could result in tax consequences if the policy lapses or is surrendered while a loan is outstanding.

Typical life insurance considerations at different life stages

Age 30

Factors to consider in the early years:

- Young children
- High debt
- House mortgage
- Loss of income would be devastating
- Children's education

Age 55

Factors to consider in the later years:

- Children in college
- Lower debt
- Reverse mortgages
- Retirement income needed
- Simplify transfer of assets

(continued)

Once in a lifetime

Go to: www.lifehappens.org/insurance-overview/life-insurance/calculate-your-needs to access an interactive calculator that will help you determine a ballpark estimate of your life insurance needs. In addition, have your spouse or significant other perform the same exercise. Enter the information here for future planning purposes:

My total life insurance needs: $_______________

My spouse or significant other's life insurance needs: $_____________

Life Insurance Learning Resources

Insurance for Dummies, by Jack Hungelmann

Insurance Information Institute
www.iii.org/insurance-topics/life-insurance

Life Happens
http://www.lifehappens.org/insurance-overview/life-insurance/

Wherever your retirement goals take you, we can help you get there.

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