

# 5 Reasons to Get Life Insurance

*Here are five reasons why you should consider getting life insurance.*



## 1 You Have Family Members Counting On You

If you have a spouse or dependents who count on your financial support, you should probably have life insurance as part of your financial plan. Most life insurance policies provide a tax-free death benefit to your chosen beneficiaries which bypasses probate. (Probate is a legal process that involves the transfer of a deceased person's assets to their heirs or beneficiaries; it can be costly and lengthy.)

When you are young and healthy, term life policies—which cancel after a certain period of years—might be the most economical way to provide adequate financial protection for your loved ones. In terms of how much life insurance you should purchase, consider your family's needs. Can they afford the home they currently live in, and the bills they incur on a monthly and yearly basis? Will your kids be able to go to college if you're no longer around?

In addition to term life, or as an option to it, consider permanent life insurance policies that can build up cash value through time and may provide additional financial options to you and your family.

## **2 You Want to Protect Your Spouse's Retirement Income**

Many people don't realize that when one spouse dies, the surviving spouse only gets one Social Security check—albeit the larger one—from that point forward. The same might be true for any pensions; some are paid to one spouse only. For a surviving spouse who could see their income drastically reduced, this could force a move of residence or other disruptive life changes. Permanent life insurance can protect your spouse's retirement lifestyle in the event of your passing.

Additionally, many permanent policies contain provisions about catastrophic illness or disability, allowing the policy to be converted to pay for medical or long-term care expenses if the need arises, which could further help protect a spouse from financial hardship.

Permanent policies can be purchased at nearly any age as long as you are relatively healthy; if you have health issues, policies can cost more or could be denied. So, it may make sense for you to investigate and purchase life insurance policies when you are younger.

## **3 You Would Like to Leave More Money Behind**

If you've diligently saved, but your greatest desire is to leave more of a legacy to your loved ones or chosen charities, permanent life insurance might make sense for you. You might even use life insurance to fund a trust for a loved one with special needs, or to transfer wealth using estate planning strategies involving gift and estate tax exemptions.

## **4 You Are Looking for Tax-Advantaged Access to Cash or Retirement Income**

A permanent life insurance policy with cash value can provide a stream of income or access to cash in the form of loans, depending on how the policy is structured. The cash value in the policy can build up and be borrowed against to pay for college expenses, retirement, or other costs during your lifetime, usually without any taxes owed if all IRS rules are followed.

It's very important to examine the life insurance policy's structure and rules around borrowing so that a policy remains in force with no unwanted surprises. When done correctly, permanent insurance may allow you to borrow funds at an interest rate specified in the policy, while being credited interest as if the money is still there. In some cases, you will need to repay the borrowed funds, in other cases, you may not need to if the policy's value grows enough to cover the loans. Any excess cash value remaining will pass to your beneficiaries as part of the policy's death benefit.

## **5 You Want Long-Term Care Insurance**

One of the drawbacks of traditional long-term care (LTC) insurance is that you may end up paying a lot for something you may never need. But at the same time, if you do end up needing long-term care at a nursing facility, it's expensive. The average cost of a semi-private room in a nursing facility is \$8,669 per month according to Genworth.

Some of today's life insurance policies are called "hybrid" policies because they cover additional potential adverse events in addition to death, such as disability or the need for long-term care. These extra coverages may be part of the policy itself, or be available as optional insurance policy "riders" depending on the way an insurance company structures their contracts.

According to LIMRA, hybrid policies have become more popular than traditional long-term care (LTC) insurance policies because they offer a long-term care benefit that kicks in if you need it, or a death benefit that remains if you don't.

Remember, planning to cover long-term care expenses is important because while Medicare pays for short stays in nursing care facilities, it does not pay for long-term care. Medicaid pays for long-term care, but qualifying for Medicaid requires a complete spend-down of assets, leaving your spouse and heirs with virtually nothing.

## Don't Put Off Getting Life Insurance

According to the **2021 Insurance Barometer Study by LIMRA**, there were roughly 102 million uninsured and underinsured Americans in 2020, representing 40% of the adult population. One of the reasons cited was a lack of basic information about life insurance; less than a third of consumers said they were "very" or "extremely" knowledgeable about it.

Life insurance policies have completely changed in the last two decades. Simplified underwriting means that many term life policies don't even require a medical exam anymore, depending on your age and general health. Term life insurance can be much less expensive than you think; the research showed that healthy 30-year-olds often overestimate costs by 5x.

Another reason people say they don't pursue life insurance is that they have a policy through work. But even though you may have a small policy at your workplace, usually \$20,000 or so according to the U.S. Bureau of Labor Statistics, these policies are often in place to help with burial costs and final expenses. In order to cover your family's finances adequately, consider mortgage costs, existing debt, health care, living expenses for your spouse and children, and future college expenses for your children in order to get an idea of how much protection you should have.

## Do you have questions about life insurance? Call us!



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