

## Who Needs Life Insurance

If someone will suffer financially when you die, chances are you need life insurance. Life insurance provides cash to your family after your death. This cash (known as the death benefit) replaces your income and can help your family meet many important financial needs like funeral costs, daily living expenses and college funding. What's more, there is no federal income tax on life insurance benefits.

Most Americans need life insurance. To figure out if you need life insurance, you need to think through the worst-case scenario. If you died tomorrow, how would your loved ones fare financially? Would they have the money to pay for your final expenses (e.g., funeral costs, medical bills, taxes, debts, lawyers' fees, etc.)? Would they be able to meet ongoing living expenses like the rent or mortgage, food, clothing, transportation costs, healthcare, etc.?

What about long-range financial goals? Without your contribution to the household, would your surviving spouse be able to save enough money to put the kids through college or retire comfortably? The truth is it's always a struggle when you lose someone you love. But your emotional struggles don't need to be compounded by financial difficulties. Life insurance helps make sure that the people you care about will be provided for financially, even if you're not there to care for them yourself. To help you understand how life insurance might apply to your particular situation, we've outlined a number of different scenarios below. So whether you're young or old, married or single, have children or don't, take a moment to consider how life insurance might fit into your financial plans.

### **Married**

When you're married, you share everything with your significant other, including your financial obligations. Many people mistakenly believe that they don't need to think about life insurance until they have children. Not true. What if one of you was to die tomorrow? Even with the surviving spouse's income, would that person be able to pay off debts like credit-card balances and car loans, let alone cover the monthly rent and utility bills. If you're planning to have children, you'll want to buy life insurance right away and not wait until the mom-to-be is pregnant. Some companies won't issue a policy to a woman during her pregnancy. Since health complications sometimes arise, they'll want to wait until after the baby is born to issue the policy. Buying insurance before a baby is on the way helps avoid this potential problem.

### **Married With Kids**

Most families depend on two incomes to make ends meet. If you died suddenly, could your family maintain their standard of living on your spouse's income alone? Probably not. Life insurance makes sure that your plans for the future don't die when you do.

### **Single Parent**

As a single parent you're the caregiver, breadwinner, cook, chauffeur, and so much more. Yet nearly four in ten single parents have no life insurance whatsoever, and many with coverage say they need more than they have. With so much responsibility resting on your shoulders, you need to make doubly sure that you have enough life insurance to safeguard your children's financial future.

## **Stay-At-Home Parent**

Just because you don't earn a salary doesn't mean you don't make a financial contribution to your family. Childcare, transportation, cleaning, cooking and other household activities are all important tasks, the replacement value of which is often severely underestimated. Surveys have estimated the value of these services at over \$40,000 per year. Could your spouse afford to pay someone for these services? With life insurance, your family can afford to make the choice that best preserves their quality of life.

## **You Have Grown Children**

As the years go by you may feel your need for life insurance has passed. But just because the kids are through college and the mortgage is paid off doesn't necessarily mean that Social Security and your savings will take care of whatever lies ahead. If you died today, your spouse will still be faced with daily living expenses. What if your spouse outlives you by 10, or even 30 years? Would your financial plan, without life insurance, enable your spouse to maintain the lifestyle you worked so hard to achieve? And would you be able to pass on something to your children or grandchildren?

## **You're Retired**

Did you know that depending on the size of your estate, your heirs could be hit with a large estate tax payment after you die (45% of your estate). The proceeds of a life insurance policy are payable immediately, allowing heirs to take care of estate taxes, funeral costs, and other debts without having to hastily liquidate other assets, often at a fraction of their true value. And life insurance proceeds are generally income tax free and can be arranged to avoid probate. Finally, if your insurance program is properly structured, the proceeds from your life insurance policy won't add to your estate tax liability.

## **You're a Small Business Owner**

Besides taking care of your family; life insurance can also protect your business. What would happen to your business if you, one of your fellow owners, or perhaps a key employee, died tomorrow? Life insurance can help in a number of ways. For instance, a life insurance policy can be structured to fund a "buy-sell" agreement. This would ensure that the remaining business owners have the funds to buy the company interests of a deceased owner at a previously agreed upon price. That way, the owners get the business and the family gets the money. To protect a business in case of the death of a key employee, "key person insurance," payable to the company, provides the owners with the financial flexibility needed to either hire a replacement or work out an alternative arrangement.

## **You're Single**

Most single people don't need life insurance because no one depends on them financially. But there are exceptions. For instance, some single people provide financial support for aging parents or siblings. Others may be carrying significant debt that they wouldn't want to pass on to family members who survive them. Insurability is another reason to consider life insurance when you're single. If you're young, healthy and have a good family health history, your insurability is at its peak and you'll be rewarded with the best rates on life insurance. If you anticipate a need for life insurance down the road (e.g., you're the marrying type) and you can fit the premiums into your budget, it might make sense to lock in coverage while you're young and single. Doing so can eliminate the worry of having to qualify for coverage when you're older, and maybe not as healthy as you once were.