



**FINANCIAL SERVICES  
FOR THE GREATER GOOD®**

## **The Importance of Life Insurance**

*Life insurance's death benefit feature and, when it is a permanent policy, its cash value, make it a unique, versatile financial planning product.*

## **Financial Security in the Earning Years**

During your productive earning years, your ability to generate a salary may be your greatest asset. But if you die prematurely, your loved ones may not have the assets necessary to meet those needs. Life insurance death benefits can help secure your family's finances in the event of your untimely death. Here's a list of financial needs life insurance can help meet in the event of premature death.

- **Final expenses:** The need for immediate cash at death is universal. Final expenses typically include the cost of a last illness — which could span days, weeks or longer — along with funeral and burial expenses. Death can also create a tax liability requiring immediate payment.
- **Outstanding debt:** Charge card balances, auto and school loans, home equity loans and other installment accounts that were formerly paid when your steady, ongoing income was available, still need to be paid.
- **Housing expenses:** Survivors need money for mortgage or rent payments. Ideally, funds should be earmarked to pay off a mortgage or make rental payments for a number of years.
- **Family income:** The need to find replacement income is usually the largest and most important consideration. Even when there is more than one breadwinner, the loss of one income can be financially devastating.
- **Education fund:** For a young family, an especially critical need is money to pay for a dependent child's education — something a parent's continuing income was expected to provide.
- **Social Security "blackout" period:** Generally, a surviving spouse with young children receives Social Security benefits until the youngest child reaches age 16. At that point the spouse's benefit stops until age 60, at which point a widow's or widower's benefits become payable. Funds may be needed to fill in the income void during this period.

- **Special needs:** Providing for children with special needs presents its own challenges. While life insurance may be a cost-effective way to help provide for monetary needs, careful planning is nonetheless required. To avoid unintended consequences, it is a good idea to work closely with a qualified attorney.

### **Estate Cash and Income Needs**

When we reach the end of our working years, or are near retirement, there's still a need to protect the assets we've accumulated over the years and also to prevent needless estate shrinkage. Life insurance can help here also.

- **A need for cash:** Once an estate has reached a respectable size — thanks to increasing income, savings, successful investing and similar wealth-building activities — there can still be a need for cash at the estate owner's death. This is especially true when the property consists of non-liquid assets such as real estate, a business, or other property that cannot quickly be converted to cash.

The other point is that estate taxes cannot be ignored. Depending on the size of the estate, federal estate and income taxes, state taxes and other levies can dramatically shrink assets, particularly retirement plan money. To compound the problem, estate taxes are typically payable in cash at the time of death, or shortly afterward.

- **A need for income:** Immediate cash needs aside, a surviving spouse may need additional income if, for example, Social Security or pension benefits are lost or reduced at a spouse's death. And, depending on whether adequate retirement planning was actually done, there may also be a need for supplemental retirement income, whether or not the estate owner dies.

### **Estate Distribution Needs**

A different type of estate planning need is created by assets that are no longer necessary to provide for the individuals who amassed them. Orderly asset distribution plans must be in place to make sure the people and institutions who are supposed to receive the money actually do.

- **Family members:** An important consideration is how to treat family members equitably and fairly when distributing estate assets. Proper planning can go a long way in preserving family harmony. Consider the example of the daughter and her siblings — she is in line to assume ownership and control of the family business. If the business assets pass to her, her siblings may feel shortchanged, unless other assets are available to provide equitable estate distribution. Once again, life insurance can help with this type of planning.
- **Charitable giving:** An estate owner who provides funds and other support to one or more favorite charities may want to ensure that this support continues after he or she passes. Earmarking estate assets for charitable giving is one way to accomplish this, but thoughtful plans need to be made well in advance, and sufficient assets have to be in place to fulfill all the estate obligations.

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