



Consider life insurance in financial planning



When it comes to life insurance, most people have the same reaction. They don't want to talk about it. Most of us don't even want to think about it, because it means facing a hard reality—one day we are all going to die.

But life insurance isn't about you. It's about those you love.

Why life insurance is important

There are five main reasons to own life insurance. The first and most obvious reason is to provide financial protection for your loved ones. Beyond that, having a life insurance policy can help you supplement coverage you may already have through work, accumulate assets, offer tax advantages, and allow you to transfer money to your heirs.

But, there is one important thing to remember. Because life insurance premiums rise as you get older, the longer you wait to purchase a policy, the more it will cost. So, the sooner you add life insurance to your financial plan, the better.

Protection for your loved ones

None of us know what life has in store for us. The unexpected can happen at any time. So, even though we may have our lives and our careers all planned out, if you have people that rely on you, it's important to always have a Plan B.

Take a moment to think about what would happen if you died unexpectedly. Not a pretty picture, but give it a try. How hard that would be on your family? All the years they counted on spending with you, and the memories they thought you'd create together, suddenly gone...heartbreaking, right? Now imagine that on top of the emotional trauma, your family also suffered a financial crisis on top of it. The income they depend on is suddenly gone overnight.

Having adequate life insurance means they won't have to worry—even if the unexpected were to happen. Their immediate needs will be covered, and they will be able to stay in the home that they know and love. The kids can remain at the same school with their friends. Life will go on. Having a financial protection plan in place means that at least some of their plans for the future, like attending college, will still be possible.

Supplement work coverage

Most people who have life insurance through work are covered by a group insurance plan. If you're one of those people, it's easy to assume that your family is protected. While the coverage may be adequate for someone without any dependents, it's almost never enough to meet the financial needs of a young family.

The numbers tell the story. In most cases, the group life insurance that an employer provides pays a death benefit that's usually one or two times the employee's annual salary. While that does provide some cushion, it won't meet the needs of most families for very long.

That's why most experts recommend life insurance coverage that's six to eight times your annual salary. So, if you're making \$75,000 a year and you have life insurance coverage through work with a benefit that's 2x your salary, it makes sense to consider buying your own policy to make up the difference. If your goal is to protect your family until your children are grown, your best option may be term life insurance, which probably costs less than you think!

Wealth accumulation

Something most people don't realize about permanent life insurance is that over time, it accumulates cash. Wondering what "cash value" means? As you pay your premiums month after month, year after year, the insurance company invests your premiums, creating a savings component to the policy. Many insurance companies also guarantee minimum annual interest rates, offering policyholders less risk and a better potential return than some investments. And it's just one more reason why life insurance is important.

But the best part? A policyholder doesn't have to die to collect the cash value of the policy. By surrendering the policy and terminating the coverage, a policyholder will receive the cash value immediately. And depending on how long you've been paying premiums, and how much they've grown, that could be larger than the death benefit itself. For some people this makes sense by providing additional diversification in their investment portfolio.

Estate planning

Hopefully by now it's pretty obvious that when financially preparing for the future, life insurance offers numerous options and flexibility for people in all different circumstances. When people start their financial plan, they shouldn't overlook Single Premium Life Insurance (SPL).

Tax advantages

When people think of life insurance, they may only think of the tax-free cash benefit that's paid when the policyholder dies. But there are a number of financial benefits that permanent life insurance offers, especially when it comes to taxes. And that can make life insurance an important part of financial planning.

Obviously everyone's financial circumstances are different, so it's always a good idea to consult with a professional financial advisor to review your situation.

A licensed agent can help you get the right amount of coverage.

Let's talk. Give me a call today.

