Life Insurance and Life

How Your Needs Change

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YOUR NEED FOR LIFE INSURANCE CHANGES as your life changes. When you're young, you typically have less need for life insurance, but that changes as you work and marry, your family grows and you take on more responsibility. Then at an older age, there are typically fewer things you need to protect with life insurance.

In considering how your life insurance needs change, remember that life insurance price and eligibility are determined by your age and health. The longer you wait to buy coverage the more it will cost — and if you wait until you are no longer healthy, you might not be able to afford coverage. If providing for your family or a particular person is important, today or well into the future, locking coverage in for yourself now, while you know that you can, may make the most sense.

YOUNG ADULT

As a young adult, you become independent and self-sufficient. You no longer rely on others for your financial well-being. But in most cases, your death would not create a financial hardship for others. For that reason, life insurance is not a priority for most young singles.

That you should buy life insurance now, while you're healthy and the rates are low, is a valid argument, especially if you are at a high risk of developing a medical condition — diabetes, for example — later in your life.

If you have a mortgage or other loans that are jointly held with a cosigner, your death would leave the cosigner responsible for the entire debt. You might consider purchasing enough life insurance to cover these debts. Funeral expenses are also a concern and a reason to purchase some life insurance.

Once you retire and your priorities shift, your life insurance needs will likely change.

Life insurance is increasingly more relevant and important if you are supporting a parent or grandparent, or if you have a child before marriage. Your policy could provide ongoing support for your dependents if you were to die.

YOUNG MARRIED COUPLE

Married couples without children typically don't consider life insurance a priority. Still, most would consider taking care of their spouse's future needs important. If both spouses contribute equally to household finances, there will be a void at one's death, even if the couple does not own a home.

Once you buy a house, the need for life insurance increases dramatically. Even if both spouses have well-paying jobs, the burden of a mortgage may be more than the surviving spouse can handle on a single income. Credit card and other debts can contribute to the financial strain.

To ensure either spouse could carry on financially after the death of the other, both should purchase a modest amount of life insurance. At a minimum, it will provide peace of mind knowing that both of you are protected.

Similar to the single adult, your need for life insurance as a couple increases significantly if you are caring for an aging parent, or if you have children before marriage. You will want to ensure these dependents will be provided for in the event of your death.

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GROWING FAMILY

When you have young children, your life insurance needs peak. In most situations, life insurance for both parents is appropriate.

Single-income families are completely dependent on the income of the breadwinner. If he or she dies without life insurance, the consequences could be disastrous. As well, the death of the stay-at-home spouse would necessitate minimally costly day-care and housekeeping expenses. Both spouses should carry enough life insurance to cover the lost income or the economic value of lost services that would result from a death.

Dual-income families need life insurance, too. If one spouse dies, it is unlikely that the surviving spouse will be able to keep up with the household expenses and pay for childcare with the remaining income.

PROMOTIONS

For many people, career advancement means starting a new job with a new company. At some point, you might even decide to be your own boss and start your own business. It's important to review your life insurance coverage any time you leave an employer.

Keep in mind that when you leave a job, the employer-sponsored group life insurance coverage typically ends. So, find out if you will be eligible for group coverage through your new employer or look into purchasing life insurance coverage on your own. You may also have the option of converting your group coverage to an individual policy. This could be costly but might be wise if you have a pre-existing medical condition that may prevent you from buying life insurance coverage elsewhere.

Aside from having life insurance, make sure the amount of your coverage is also current. The policy you purchased right after you got married might not be adequate, especially if you have kids, a mortgage and education expenses to consider. Business owners may also have business debt to consider. If your business is not incorporated, your family could be responsible for those bills if you die.

DIVORCE

If you and your spouse divorce, you'll have to decide what to do about your life insurance. Divorce raises both beneficiary issues and coverage issues. And if you have children, these issues become more complex.

If you and your spouse have no children, it may be as simple as changing the beneficiary on your policy and adjusting your coverage to reflect your newly single status. However, if you have kids, you'll want to make sure that they — and not your former spouse — are the beneficiaries in the event of your death. This may involve purchasing a new policy if your spouse owns the existing policy, or simply changing the beneficiary. The custodial and noncustodial parent will need to work out the details. If you can't come to terms, the court will decide for you.

Make sure the amount of your coverage is current.

YOUR RETIREMENT YEARS

Once you retire and your priorities shift, your life insurance needs will likely change. If fewer people are depending on you financially, your mortgage and other debts have been paid, and you have substantial financial assets, you probably need less life insurance protection than before.

It's also possible that life insurance will be an important asset after you retire. For example, the proceeds of a life insurance policy can be used to pay your final expenses or replace any income lost or reduced to your spouse as a result of your death (e.g., from a pension or Social Security). The proceeds of a life insurance policy can be used to pay estate taxes or leave money to charity. Or the focus of your insurance needs might switch to a long-term care policy. There are certain types of life insurance policies that can be used as credit toward a long-term care policy.

We're here to help. If you have questions or would like to schedule a meeting to discuss your life insurance needs, you can call me at (716) 672-7800, or email me at mringler@hbkswealth.com.

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Michael serves as a financial advisor in the Fredonia, New York. office of HBKS® Wealth Advisors. He specializes in providing personal financial planning for investments, retirement, protection planning, retirement income, estate planning strategies, education funding, tax management strategies and wealth preservation strategies.

Michael joined HBKS® in 2018 after working as a financial advisor and field director for Northwestern Mutual for six years. He earned his Bachelor of Science degree in Finance from Duquesne University.