Protecting Those We Love

Your Green® with
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The recent years, COVID-19 had many people thinking more about their own mortality, leading many to take steps to plan to protect their loved ones. **Life insurance is an important part of such planning, and may play a critical role in a successful financial strategy**. It protects from financial loss in the untimely death of an income earner, caretaker, or even a business owner or key employee.

Following the loss of a loved one, life insurance provides funds for paying the mortgage; daily needs and expenses of a spouse, child, or dependent parent; tuition or children's education; funeral and burial expenses; estate taxes; and paying off debts. Many without dependents are naming a church or a favorite charity as the beneficiary so they may leave a legacy behind.

If you have a family or spouse who depends on your income, it is imperative you have sufficient life insurance protection. Do you need protection if you are not the primary income earner? Coverage may be just as important in situations where both parties work, especially if total living expenses and debt exceed what one income can cover. Most people focus on protecting the income of the primary breadwinner, but the loss of a stay-at-home parent can result in a significant financial burden. Especially important when there is a need to cover child care, cleaning, providing transportation to family members, and even cooking for the family. Do you have a policy to allow you to provide for these potential needs?

How much life insurance should you carry? To obtain a broad ballpark figure, you can start by determining the family's actual expenses, assets, and income and then use the following formula:

1. Determine the amount of money needed annually to support dependents if you died right now (*exclude debt like a mortgage, credit card debt, car payments, etc*) and <u>multiply this by 20</u>. Be sure to include things you desire for your family - like potential college expenses for children and perhaps add the cost of inflation over time.
2. Subtract financial assets (*exclude home equity and tangible property*).
3. Subtract the amount of life insurance coverage already in place (*such as through your employer*).
4. Add your total debt (*including mortgage, credit card debt, and car payments*)
5. The remainder is a ballpark of what you need.

The term and type of coverage needed will depend on the ages or life expectancy of the dependents needing support and the age of the insured to be covered, among other things. An example:

1. John needs at least $20,000 a year to support his family (wife/2 young children) outside of his mortgage and other debt. 20,000 x 20 years = $400,000.
2. John has financial investments totaling $100,000
3. John has a $150,000 policy through his employer.
4. John owes $200,000 in debt
5. $400,000 - $100,000 - $150,000 + $200,000 = $350,000, so John needs approximately another $350,000 in life insurance.

The cost of the premium for life insurance may vary depending on, but not limited to: age, health based on medical underwriting, family medical history, job risk factors, habits, hobbies, face value or policy worth, and the term desired. **Many procrastinate on obtaining the additional life insurance they need and then find out a health issue prevents them from qualifying for the coverage they desire, or it is so expensive they cannot afford the coverage.**

There are many different types of life insurance, but term life is the most commonly purchased and generally the most affordable. They are available providing a level premium for a guaranteed period, such as 10, 20, or 30 years and protecting you from unforeseen cost increases. Guarantees are backed by the claims-paying ability of the issuing life insurance company.

Actual sample quotes (*all preferred non-smoker health rating rates updated 03/25*):

- *Age 22 female $100,000 coverage, 20-year level term, approx. $100 annually or $8 a month*
- *Age 36 male $100,000 coverage, 20-year level term, approx. $125 annually or $10 a month*
- *Age 38 female $100,000 coverage, 20-year level term, approx. $120 annually or $10 a month.*
- *Age 50 male $1Mil coverage, 30-year level term, approx. $3,322 annually or $277 a month*
- *Age 50 female $500,000 coverage, 30-year level term, approx. $1290 annually or $108 a month.*
- *Age 60 male $250,000 coverage, 10-year level term, approx. $818 annually or $68 a month.*
- *Age 70 female $100,000 coverage, 10- year level term, approx. $810 annually or $68 a month.*

As you can see, the level premium price increases as you age, so procrastinating may cost you a considerable amount of money. Those with lower health ratings and smokers will pay more for their coverage. Your medical history and usually some form of medical examination/lab work are required to obtain most life insurance. **Don't wait, however, because along the way you may develop medical issues that render you uninsurable, or that result in premiums too high for you to afford**, leaving your loved ones without the protection they need.

As with most insurance, you don't generally want to need to use your coverage, but if the unexpected does happen, your loved ones will be happy you cared enough to plan to protect them.

If you already have life insurance, **remember to make sure your beneficiary designations are up to date, and that you have designated contingent beneficiaries** who would receive the policy proceeds in the event your named beneficiary passes before you.

To discuss further or to get help with any financial or investment questions you may have, please call us at 770.931.1414 to schedule a no-cost, no-obligation consultation to review your situation.