

Protecting those we love



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Life insurance may not seem like a romantic gift, but it could be the most precious Valentine's gift you ever gave a loved one should something unexpected happen. It protects from financial loss in the untimely death of an income earner, caretaker, or even a business owner or key employee. Life insurance can play a critical role in a successful financial strategy.

Following the loss of a loved one, life insurance provides funds for paying the mortgage; daily needs and expenses of a spouse, child, or dependant 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 insuring the income of the primary breadwinner, but the loss of a stay-at-home parent can result in a significant financial burden 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 dependants if you died right now (*exclude debt like mortgage, credit card debt, car payments, etc*) and multiply this by 20. Be sure to include things you desire for your family - like potential college expenses for children and perhaps price 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 under the policy, among other things.

An example:

1. John currently needs at least \$20,000 a year to support his family (wife and two young children) outside of his mortgage and other debt payments. $20,000 \times 20 \text{ years} = \$400,000$.

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 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, and face value or policy worth and 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. There are many different types of life insurance, but term life is the most commonly purchased and generally the most affordable type of life insurance. Term life policies are available providing you for a level premium for a guaranteed period, such as 10, 20, or 30 years; 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):

*Age 22 female \$100,000 coverage, 20-year level term, about \$108 annually or \$9 a month.

*Age 36 male \$100,000 coverage, 20-year level term about \$135 annually or \$11 monthly.

*Age 38 female \$100,000 coverage, 20-year level term about \$127 annually or \$10.50 monthly.

*Age 50 male \$1Mil coverage, 30-year level term about \$2300 annually or \$192 monthly.

*Age 50 female \$500,000 coverage, 30-year level term, about \$1369 annually or \$114 monthly.

*Age 60 male \$250,000 coverage, 10-year level term, about \$825 annually or \$69 monthly.

*Age 70 female \$100,000 coverage, 10-year level term, about \$790 annually or \$66 monthly.

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 forms of life insurance.

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 believe you have insurance needs, or have other financial or investment questions, please call us at 770.931.1414 to schedule a complimentary consultation to review your situation.

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