

The Case for Life Insurance



Overview

- Where Life Insurance “Fits”
- Do I Really Need Life Insurance?
- How Much Coverage Do I Need?
- Basic Types
- Term Life Insurance
- Permanent Life Insurance
- Customize Your Coverage
- In Conclusion

Where Life Insurance Fits...

- Wherever people depend on each other for...
 - Paying off loans
 - Kids' educations
 - Food, housing and clothes
 - Business partnerships
 - Final expenses

Where Life Insurance Fits...

...and there is not enough in savings to take care of everything if something were to happen to the primary wage earner...

Where Life Insurance Fits...

...there is (or should be) a reason for concern.

Do I Really Need Life Insurance?

- Most people don't recognize the need, but here are some facts:
 - 50% of households own no individual life ¹
 - 41% of women own no life insurance at all ²
 - The average life insurance need is \$459,000 ³
 - Average coverage owned is just \$126,000 ³
 - Families with kids had 20% of amt needed ³

How Much Coverage Do I Need?

- Financial analysts recommend a life insurance benefit of at least five to seven times your annual earnings ⁴
- Generally, at the time of death, needs of survivors are divided into:
 1. Lump Sum Needs and
 2. Ongoing Income NeedsLet's take a look at what makes up each category...

How Much Coverage Do I Need?

- Lump sum survivor needs include:
 - Funeral
 - Final medical expenses & estate administration expenses
 - Estate tax (depending on laws then in effect)
 - Children's education
 - Mortgage (or cash to cover rent for as long as needed)
 - Other Debts (credit cards, student loans, etc)
 - Emergency fund (3 to 6 months' income recommended)

How Much Coverage Do I Need?

- Ongoing income needs determined as follows:
 - Typically 75% of current income
 - Less spouse's work income
 - Less other income such as Social Security
 - Less mortgage P&I (assuming paid off)
 - Equals net income needed.
 - Divide result by conservative expected return on investment to determine lump sum needed.
 - For your specific coverage needs, speak with your agent for a detailed profile.

Basic Types

- There are two basic types of life insurance:
 - Term (or Temporary)
 - Permanent

Term Life Insurance

- Provides a specified death benefit for a specified period of time
- Usually provides a guaranteed level premium for the specified period
- Temporary nature provides for a lower cost during the length of the term

Permanent Life Insurance

- Provides a death benefit for the lifetime of the insured
- Accumulates cash value
- Greater flexibility in premiums & death benefits
- Can be guaranteed or not guaranteed

Customize Your Coverage

- Plans can be designed to meet your needs
 - Optional life insurance coverage for your spouse and children
 - A range of premium payment plans
 - Waiver of Premium
 - Accelerated Benefit Endorsement

Which Type Is Right For Me?

- It depends upon your needs and what you can afford
- A good rule of thumb: term insurance for temporary needs, permanent insurance for permanent needs
- For your specific coverage needs, speak with your agent for a detailed profile

In Conclusion...

- Life insurance is one of the easiest and most economical ways you can ensure your family is not left with financial insecurity.
- No one knows what the future will bring, and that's why you need to give some thought to your family's future...*today!*

References

- 1 LIMRA's *Market Trends 2001*, page 6.
- 2 LIMRA's *Market Trends 2001*, page 7.
- 3 LIMRA's *Market Trends 2001*, page 5.
- 4 Figure provided by the Federal Citizen Information Center of the U.S. General Services Organization (www.pueblo.gsa.gov).
- Note: Some data provided by: The Adequacy of Life Insurance Coverage in U.S. Households, James O. Mitchel, PhD, CEBS, *Journal of Financial Service Professionals*, May, 2003, page 59.