



Providing for Your Family's Future

Using Life Insurance as Your Foundation

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What You Need to Know

- » The foundation of your financial strategy should include plans to protect your family financially should something happen to you.
- » Using the acronym "LIFE," or estimating seven to 10 times your pretax annual salary, can help you determine how much life insurance may make sense for your situation.
- » For most people, term life insurance may be the most appropriate and cost-effective solution, typically costing about 1%–2% of your annual salary.
- » We recommend reviewing your life insurance coverage as part of your annual financial review, and especially after a life event such as the birth of a child, a marriage or a job change.

While your focus may be on saving and investing for your family's future, don't neglect what may be most important: providing for your family should something happen to you.

The foundation of your financial strategy should include plans to protect your family financially, which includes having an appropriate amount and type of life insurance. Preparing your financial strategy for the unexpected could better position you to reach your long-term goals. Insurance also may be more affordable than you think.

Your Most Valuable Asset

While you're still working, your most valuable asset may be your future income. Life insurance can help protect this asset, acting as income insurance for your family. It can help ensure your family will have the financial resources to replace lost income or pay for certain expenses should you pass away at an early age. The death benefit to your family also may be tax-free. If you have dependents and/or outstanding debt (like a mortgage), you likely need life insurance.

But before making any decisions, you should answer the following questions:

1. How much life insurance may I need to provide for my family?
2. What type of life insurance should I consider (and what can I afford)?

1. How Much Insurance May I Need to Provide for My Family?

Here are two approaches to help estimate how much you may need:

- **Multiple-of-income approach:** Calculate seven to 10 times your pretax annual salary.
- **Needs approach:** Estimate your family's expenses and savings needs over time using the acronym LIFE.

While either approach can give you an estimate of your insurance needs, the needs approach, using the LIFE acronym, can better personalize your life insurance estimate to your specific needs.

Use LIFE as a Guide

Add the following together to estimate your life insurance needs:

- L** Liabilities (such as your mortgage, car loans, credit cards, etc.)
- I** Income needs for your family to replace your future salary and cover ongoing living expenses, savings needs and an emergency fund
- F** Final expenses
- E** Education expenses for your child(ren)

LIFE + Legacy

If you have specific legacy goals, such as leaving money to loved ones or a charity, this need should be added to your LIFE estimate for your total insurance need. In addition, the type of policy you use for your legacy goals may be different than for your LIFE needs. See the last page of this report for more information on types of insurance to consider.

Your financial advisor can help you refine these estimates. Then you can work together to adjust this amount based on other resources that may be available for your family should you pass away, including savings and investments, any existing insurance coverage (such as through your employer), pensions, potential Social Security benefits and others. This will help you determine how much insurance may be appropriate for your situation.

2. What Type of Insurance Should I Consider (and What Can I Afford)?

In general, there are two major categories of life insurance: term and permanent. Think of the difference between the two as “renting” (term) versus “owning” (permanent). Answering the following questions can help you determine which may be appropriate for you.

How long do you need the insurance? Will you need insurance only for a particular period of time – for example, until your children are grown? Or does it seem like more of a lifetime need – for example, as long as your spouse may live? In general, we use the following guidelines:

- **Term insurance:** An insurance need of typically 20 years or fewer¹
- **Permanent insurance:** An ongoing need (e.g., you want to ensure a certain amount is paid at your death, regardless of how long you live, such as providing for your spouse or for a legacy goal)

What can you afford? Balancing the amount of insurance coverage you need with what you can afford is one of the most important insurance decisions you need to make. It does no good to have a policy you can't afford, as the policy could lapse if you don't pay the premiums.²

That's why it's important to work with your financial advisor to determine the appropriate amount and type of coverage that fits within your overall budget. Reviewing your budget also can help pinpoint which expenses to reduce or adjust to address this need.

¹ Term insurance is available for longer time periods. However, we encourage comparing term policies of longer than 20 years to a permanent policy before making a decision.

² Premiums on non-guaranteed permanent policies can increase or decrease due to market performance.

Putting it All Together: What Are Your Goals?

GOAL	SOLUTION
Protection for a Fixed Period	<p>Term Life Insurance</p> <p>If your goal is simply to provide for your family in case of an unexpected death, and this goal is only for a certain number of years (such as until your children are grown), term life insurance is likely the most appropriate and cost-effective solution.</p> <p>Term insurance also may be the more affordable option, which is important because you are likely saving for other goals, such as retirement and your children's education. We estimate that term policies covering about seven to 10 times your income for 20 years will likely cost about 1%–2% of your salary.³ We believe incorporating this modest expense in your financial strategy can enable you to cover your insurance needs while also addressing your other important financial goals.</p>
Lifetime Protection with Additional Flexibility and/or to Fund Your Legacy Goal	<p>Permanent Life Insurance</p> <p>If your goal is to provide for a lifetime need, permanent insurance is likely more appropriate. For example, for legacy goals, we recommend you use permanent life insurance to help ensure your legacy goal is covered regardless of how long you live.</p> <p>Since you are holding the insurance for life, it is more expensive than term insurance (generally four to six times the cost of a term policy).³ But with this comes additional features, such as the potential to accumulate cash value within the policy. This can give you additional flexibility should your needs change over time.</p> <p>Permanent insurance also can provide:</p> <ul style="list-style-type: none">• Estate and wealth transfer solutions• Planning opportunities for business owners

More Ways to Prepare for the Unexpected

Don't Forget About Long-term Disability	Group Coverage May Not Be Enough	Just One Part of a Broader Strategy
<p>It's also important to have a strategy to address the possibility that you may be hurt and unable to work for an extended period of time.</p> <p>If you have no coverage through your employer, you may be able to cover about 60% of your income for a period of time through a long-term disability policy. If you have an employer plan that covers 60% of your income, supplemental coverage may be able to cover an additional 20%.</p>	<p>While many employees have the opportunity to purchase additional insurance coverage through their employers (group insurance), we typically recommend you consider an individual policy.</p> <p>This approach can help ensure you're covered regardless of whether you are employed by that company. If you are in good health, it's likely an individual policy also may be less expensive, and it may offer additional features and flexibility.</p>	<p>Life insurance is just one part of a strategy to help prepare for the unexpected. For example, if you haven't already, begin to save enough cash to cover three to six months of living expenses.</p> <p>And when it comes to planning your legacy, we recommend discussing the following items with your estate-planning attorney:</p> <ul style="list-style-type: none">• Will• Financial power of attorney• Health care directive• Trusts

³ The actual premium will depend on your age and gender as well as the term length (for term insurance) and additional features (riders) you add to a policy.

What Makes Sense for You and Your Family?

For most individuals who are providing for their families and have multiple financial priorities, we believe term insurance may be the most appropriate solution.

However, deciding which type of insurance to buy doesn't have to be an "either/or" discussion – you may decide to use term and permanent insurance to cover different needs. For example, for time-bound needs such as getting children through college or paying off your mortgage, term insurance may be appropriate. For an ongoing need, such as providing for your spouse, permanent insurance may make the most sense.

Additionally, since your health status can affect whether you can get insurance, having a term policy that can be converted to a permanent policy (or having some permanent insurance) could help you have more access to potential insurance coverage in the future.

Ultimately, your decision should start with clarifying what you're trying to accomplish. That will help you and your financial advisor work through which options may be right for you and choose the policy and the amount that's most appropriate for your family. The table below can help you start this process:

For most individuals who are providing for their families while also addressing other financial goals, we believe term insurance may be the most appropriate solution.



I want to ...

How much insurance do I need?

What type should I consider?

Provide for my family's needs if I'm no longer able

Estimate your needs using a LIFE analysis or multiple of salary (see Page 2)

Term Insurance
(generally for coverage up to 20 years)

Permanent Insurance
(for lifetime coverage)

Leave money to my loved ones or charity

Estimate how much money you'd like to leave

Permanent Insurance

Cover other needs my family may have:

- Need for long-term care
- Business succession planning
- Additional tax-deferred savings opportunities
- Support for a loved one with special needs

Estimate based on your specific need:

- How much long-term care coverage you desire
- Value of your business interest
- Desired retirement savings after other retirement savings vehicles are maximized
- Care and living costs for a loved one with special needs

Permanent Insurance
(in most cases)

Life Changes: The Importance of the Review

Your personal and financial situation will change over time, which means your insurance needs may change as well. For example, you may have purchased a term policy in the past because it was the most cost-effective, but you are now thinking about legacy considerations and more permanent planning. That's why it's important to review your current situation and coverage with your financial advisor on a regular basis – especially after a life event such as a job change, marriage or new child.

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Schedule some time to meet with your financial advisor to review your strategy to prepare for the unexpected. Together, you can help ensure you have the right amount and type of life insurance to provide for your family's financial future.

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