



# Providing for your family's future

## Using Life Insurance as your foundation

### What you need to know

- » The foundation of your financial strategy should include plans to protect your family financially in case something happens to you.
- » Using the acronym “LIFE” can help you determine how much life insurance may make sense for your situation.
- » 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, it is also important to consider protecting your family in case something happens to you.

A comprehensive approach to your financial strategy should include plans to protect your family financially, which includes having the appropriate life insurance protection. Planning for unexpected events that could derail you from your goals could better position you to reach your long-term goals.

### Your most valuable asset

While you're still working, one of your most valuable assets is your ability to earn income. Life insurance can help protect this asset. It can help ensure your family will have the financial resources to replace lost income or pay for certain expenses in case you pass away prematurely. If you have dependents and/or outstanding liabilities (like a mortgage), consider life insurance.

When deciding if life insurance is right for you, ask yourself the following questions:

**1. How much insurance do I need to provide for my family?**

**2. What type of insurance should I consider (and what can I afford)?**

## 1. How much insurance do I need to provide for my family?

The key is to have a strategy to provide for your family. A **needs approach** can provide a good estimate of your insurance needs.

With the needs approach, estimate your family's expenses and savings needs over time using the acronym LIFE.

### 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 government 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)?

Answering the following questions can help you determine which type of insurance 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?

**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.

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 identify potential expenses to reduce or adjust to address this need.

## Term vs permanent insurance

### Types of Life Insurance

When it comes to life insurance, there are two main types: Term Insurance and Permanent Insurance. Their names are somewhat self explanatory, but the main features of these types of insurance are:

Term insurance	Permanent insurance
Provides coverage for a specific length of time – 10 years, 20 years, etc.	Provides coverage for your entire life, regardless how long you live
Renewable, with premiums increasing at each renewal	Premiums can be structured so they are constant for the entire life of the policy
Typically expires at age 85	Never expires (as long as policy is in good standing)
No investment component	May have a cash value that can be accessed during lifetime
Typically less expensive; suitable when large amounts of coverage are required for a set period of time	Premiums tend to be higher than term, however death benefit is guaranteed to be paid out as long as premiums are paid
Can usually be converted into permanent insurance without medical evidence up to certain age limits	Some permanent insurance policies can be "paid up" in a shorter period of time, meaning premiums end even though coverage continues for life

For both Term and Permanent insurance, policies can be structured to meet your needs. Coverage options will depend on the type of insurance you choose, as well as the life insurance company offering the policy, but typically include:

- 1. Single Life:** Insures one person's life
- 2. Joint Life – First to die:** Insures two people and pays a death benefit when the first insured dies
- 3. Joint Life – Second to die:** Insures two people and pays a death benefit when the second of them dies

The actual premium and amount of insurance 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.

## More ways to prepare for the unexpected

### Don't forget about long-term disability

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.

If you have no coverage through your employer, you may be able to protect yourself with an individual long-term disability policy. Further, if your employer coverage is inadequate, supplemental coverage may be available to address some of the gap between what your employer plan covers and what your income replacement needs are.

### Group coverage may not be enough

While many employees have the opportunity to purchase additional insurance coverage through their employer (group insurance), we typically recommend you consider an individual policy.

This approach can help ensure you're covered regardless of your source of employment. If you are in good health, it's likely an individual policy may also be less expensive, and may offer additional features and flexibility.

### Just one part of a broader strategy

Life insurance is just one part of a strategy to help prepare for the unexpected. For example, if you haven't already, begin to establish an emergency fund to cover three to six months of living expenses. And when it comes to planning your legacy, we recommend discussing the following items with your estate planning lawyer:

- Will
- Powers of Attorney for property and personal care
- Health care directive
- Trusts

## What makes sense for you and your family?

Deciding which type of insurance to buy doesn't have to be an "either/or" decision – you may decide to use term and permanent insurance to cover different needs.

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.



## 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.

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