

Life Insurance: Changing Times, Changing Needs

When Kim Harrison (a hypothetical example) purchased her life insurance policy ten years ago, she assumed her life insurance planning was complete. She figured that if she just paid her premiums on time, she could sit back and not think about life insurance anymore. True, Kim's policy has provided her with comfort of knowing by helping to protect her family. However, that doesn't mean she should let her insurance policy run on autopilot. Life insurance is just like any other piece of your financial puzzle. It should be periodically monitored as your circumstances and needs change. This way, you can help ensure that your life insurance is achieving its desired objective(s).

Here's a closer look at some of the things that Kim, like all policyholders, should review at least annually.

Is Your Coverage Up-to-Date?

Kim must first determine if her original reasons for purchasing her policy are still current. She should also evaluate whether or not she's developed any *additional* needs. For instance, when Kim initially purchased her policy, she was newly married and owned a small, modest home. Now, Kim and her husband, Jack, have three children and a much larger home. Is Kim's existing policy appropriate for these new responsibilities—covering a substantial mortgage, funding college for three children, and contributing to the protection of her family's financial security? More than likely, Kim may require additional life insurance.

If Kim's existing policy is **term insurance**, she may want to consider converting it to a **permanent** contract. Permanent insurance contains a cash value component that offers the potential for tax-deferred accumulation, as well as the same death benefit features of term insurance. In later years, the cash value could come in handy to help supplement retirement income needs. Keep in mind that withdrawals and loans taken against a policy's cash value could affect the death benefit and may have tax consequences.

Beneficiaries May Change, Too

As it stands now, the primary beneficiary of Kim's life insurance policy is her husband, Jack. If Jack were to predecease Kim, the policy *currently* names Kim's nephew as a contingent beneficiary. However, now that Kim has her own family, she will likely want to update her policy's beneficiary arrangement to name her children as contingent beneficiaries in place of her nephew. In addition, if Kim and Jack eventually set up a **living trust**, their legal advisor may suggest naming their *trust* as the policy's beneficiary.

Planning for Your Growing Estate

Regardless of the *type* of life insurance Kim owns and the beneficiary she chooses, the death benefit proceeds from the policy will be included in Kim's estate. As their asset base increases, they should plan accordingly to help reduce the effects of estate taxation.

Life insurance can help play a significant role in solidifying the family finances of couples like the Harrisons. However, it is also important to recognize that, like all financial matters, life insurance policies need to be reviewed on a *regular* basis. A qualified insurance professional can be a valuable resource when it comes to evaluating your present situation and determining an appropriate course of action.