When Life Insurance Comes Knocking
Six Reasons to Open the Door!

In 2020, the world came face-to-face with a global pandemic. The COVID-19 virus crossed borders, spread quickly, infected more than 200 million worldwide, and killed more than 4 million without deference[1] – regardless if you're 25 or 85 the risk of any life-threatening illness can come knocking. Even today, while doctors are working feverishly to save lives, the financial ruin left behind is one more wound that requires addressing and time to heal.

Life insurance will never save us from death, but it can provide a much-needed financial lifeline to pay medical expenses and provide support for loved ones left behind. And since there isn't a cure for this virus, and we now see that the unexpected can happen at any age, the reasons to open the door to protection by life insurance could never be louder.

Six Life Insurance Reasons

Life insurance is something you may consider adding to your financial plan if you're interested in providing a measure of security for your loved ones. You can use the proceeds from a life insurance policy to pay final expenses, eliminate outstanding debts, or cover day-to-day expenses. Whether life insurance is a suitable investment may depend on what you need and want a policy to do for you.[2]

1. PAY OFF DEBTS

When someone dies before outstanding debts are paid off, the money owed may burden their estate, family, and heirs financially. While not every debt is the heirs' responsibility, cosigners or joint account holders of the deceased could be liable for paying the remaining balance.

Life insurance could provide a financial safety net for loved ones left with the responsibility of paying off those debts. The average American carries around $6,200 in credit card debt.[3] Having to pay that off unexpectedly could cause unwanted scenarios, such as the need to liquidate the inheritance in the wake of a death.

2. PROVIDE A FINANCIAL FUTURE

Dependants, such as aging relatives, college-bound children, and children with special needs may need care that can be covered through life insurance loans while you're alive or the death benefits when you pass away. With college tuition costs exceeding $9600, on the low end,[4] sparing families and dependants the burden of debts could prevent financial hardship.

While you're still living, your life insurance can help fill the income gap by using the accrued cash value or taking a loan against your policy. When you pass away, heirs can use the death benefit cover day-to-day purchases and living expenses, such as groceries, utilities, and car payments.

3. PROVIDE EXTRA CASH DURING RETIREMENT

Many people only associate life insurance with death, but the right policy can also fit into the mix for retirement planning. Permanent and whole life insurance last the policyholder's lifetime and often incorporate a "savings" cash value component. With such policies, the cash value can be withdrawn or taken as a loan to supplement income during retirement or put towards long-term care services.

Nearly 70% of people living past the age of 65 can expect to need some form of long-term care.[5] Securing funding through life insurance for medical and non-medical care—in the event of an illness or disability—could make a difference in the quality of life.

4. PROTECTING A BUSINESS

71% of small businesses rely on just one or two people to oversee daily operations, so key person insurance plays a vital role in a business's success story.[6] If a business owner or partner in a joint venture passes away, life insurance could give a cash boost to keep a business afloat while things get settled.

Creating a buy/sell agreement between business partners works when an insured partner dies; the surviving partner(s) will have the cash necessary to buy out the heirs' share of the business. Finally, a business owner may also use certain types of life insurance policies to borrow against. Keep in mind that only whole or permanent life insurance policies are eligible for cash value accrual.

In addition to these six stages to invest in life insurance, there are significant reasons and ages that you need to consider—ask your financial professional for the details. Because no matter what your reason, stage, or age in life is, there's an insurance policy designed for you. Protect yourself and the ones you love by incorporating insurance into your financial plan. To choose confidently between term and permanent and understanding if you need business coverage or special riders, a conversation with your financial professional is the wisest next step you can make.

5. LEAVE AN INHERITANCE

Life insurance can be less susceptible to value fluctuation than stock market investments, so it makes sense to plan for leaving a substantial death benefit. Life insurance is one method to create an inheritance that, usually, isn't taxed before reaching heirs or beneficiaries.

Policyholders can name multiple beneficiaries, specify inheritance allocations, and even direct funds to a charity or non-profit organization. Additionally, policyholders should name contingent beneficiaries of the death benefits if a primary beneficiary passes away or can't claim them.

6. PREPARING FOR THE UNEXPECTED

Life insurance could ease financial hardships for families after a policyholder's unexpected death. According to a Federal Reserve survey, 39% of Americans wouldn't be able to pay for an unplanned $400 expense between cash, savings, or a credit card by the next statement.[7]

The loss of a primary earner or caregiver could destabilize many families with the combination of added costs and less money coming in. Even a modest life insurance policy could help fill the income gap during such difficult times.

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