When Life Insurance Comes Knocking

Six Ages 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 Ages

Sometimes a parent purchases insurance for their child at a very young age, so the idea of insurance becomes part of that child's lifelong financial story. Other times, the concept of life insurance comes later, perhaps after a life event, and that's okay too. Here are some of the reasons to consider life insurance as you move through different ages of your life and how insurance can play its part in your story.

1. AGES 20-29 – ENTERING THE WORKING WORLD

Statistically speaking, young adults are generally healthy and face a low death rate, but unexpected things happen so planning is still wise. Term life insurance is a relatively inexpensive option that often makes sense in your twenties.

Debt obligations from aren't something you want to pass on to someone you love should you happen to die early in life. Also, family members rely on your income and would depend on insurance benefits to maintain their lifestyle if you could no longer bring in a paycheck. Finally, permanent life insurance policies can become a tax-advantaged savings vehicle by accumulating cash value. A cash value that builds for decades can amount to hundreds of thousands of tax-free income—so if you start saving now, you can reap the rewards during retirement.

2. AGES 30-39 – BECOMING ESTABLISHED

By age 30, many Americans are on a solid career track that comes with employer-based insurance benefits that often don't offer enough coverage if you've built a family of dependents. Many experts suggest buying a policy at least 5 - 10 times your annual income and can go as high as 15 times your income if you have dependents.[2]

While the primary purpose of life insurance is to provide financial protection for survivors in the event of your death, you might consider another opportunity at this point in life: supplementing your retirement income stream. If you fund a permanent life insurance policy, you create an extra financial nest egg complete with tax-free withdrawals alongside any other savings plans.

3. AGE 40-49 – THE CATCH-UP YEARS

During your 40s, chances are you're still in good health and young enough to get an affordable policy with options aligned to your needs. It's also possible that any policy purchased in your 20s is close to expiring but you need to continue coverage because there are dependents still under your care.

Americans are marrying later, having children in later years, and living longer, so coverage in your 40s could be justified as the insurance to pay off your mortgage, protect a stay-at-home parent, and fund child expenses, including college. If you're still in good health, now is the time to act before unforeseen health problems surface and medical expenses wipe out your savings.

4. AGES 50-59 – SOLIDIFYING YOUR FINANCIAL FUTURE

In your 50s, most people enter their peak earning years, and without coverage, and unexpected death could be detrimental to the financial security of your loved ones. You'll want to ensure any survivors are covered financially so they avoid having to liquidate assets to meet their day-to-day living expenses.

Beyond life insurance, it's time to explore options for long-term care coverage. Traditional long-term care coverage is one option; another is a life insurance policy that includes a long-term care rider. Without coverage, you run the risk of depleting your nest egg too soon. Also, begin plans to pay off mortgages, complete estate paperwork, outline end-of-life expenses, and create legacies for beneficiaries. Some insurance policies are more focused than others at providing financial support in these areas.

In addition to these six ages to invest in life insurance, there are significant reasons and stages 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. AGES 60+ – AFFORDING YOUR RETIREMENT

As your work-life winds down, appropriate life insurance coverage becomes even more critical as a means to protecting any cash flow needs for a surviving spouse. Many retired couples depend on Social Security and pensions as their primary retirement income, but reduced payments could mean falling short of daily living expenses when a spouse dies.

Living through your retirement years, you'll want to reevaluate your life insurance and often consult with your financial professional. If you purchased a permanent life policy earlier in life that comes with a cash value, now may be the time to tap into it as a retirement income stream.

6. BEYOND RETIREMENT – CREATING YOUR LEGACY

Another timely consideration is your legacy plan. Permanent life insurance can be a tax-efficient tool for passing on wealth to the next generation. Consider a life insurance policy that provides benefits tax-free to your beneficiaries and works in such a manner that your heirs aren't saddled with paying unexpected debts and taxes.

Working through necessary estate planning paperwork is never easy, but having a proper will, power of attorney, medical intentions, and your legacy plans written out keeps your money in the hands of your heirs rather than spent in probate. Have a charity or alma mater to which you're akin? Set up your legacy plan to include a donation with the most suitable way for the organization to receive the money.

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Sources

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