TEN REASONS TO CONSIDER LIFE INSURANCE

1. PROTECT YOUR LOVED ONES

They are your loved ones for reasons only you can express, but the reason you spend a lifetime protecting them is obvious. Life insurance is for the living; it is to ensure the commitment to the lifestyle you always envisioned for them is realized even if you won't be there with them. To protect them from the financial loss and hardship they could potentially be forced to endure in the event of your untimely death, by filling in the income gap and offsetting expenses.

All too often, loved ones are forced to make difficult decisions at an emotionally trying time, when they may be least able to make sound decisions. Life insurance can provide them with alternatives and options and the necessary time to adjust to their new reality, rather than being forced to make tough decisions quickly, such as whether to sell the family home or go back to work.

2. FINANCIAL REASSURANCE

Life insurance can help protect you and your loved ones from the many uncertainties in life, and help you be prepared for just about any eventuality. You'll sleep a little easier at night knowing that no matter what, your family will be well taken care of when you are gone.

3. COVER END-OF-LIFE EXPENSES

Funeral costs can vary widely across the country, but typically average nearly $8,000.[1] These average costs do not include monuments, markers, or things such as flowers and funeral luncheons. Additional final costs may be relevant as well, such as medical bills, long term care, and other potential end-of-life costs. Including these costs in the life insurance valuation can spare loved ones from additional expense and heartache while they grieve.

Did you know 48% of surveyed Americans cite covering burial and other final expenses as the major reason to own life insurance?[2]

4. RETIRE DEBT

Many types of debt such as mortgages and other loans that you and your spouse applied for jointly will become their responsibility upon your death. Other potential scenarios can lead to creditors trying to collect against your estate, which could retire debt, but lead to less money being left for your loved ones. Life insurance can be used to create liquidity to help pay off outstanding debt.

The average American has **$52,940** worth of debt across mortgage loans, home equity lines of credit, auto loans, credit card debt, student loan debt, and other debts.[3]

[1] "2021 NFDA General Price List Study," National Funeral Directors Association, November 4, 2021
[2] "2021 Insurance Barometer Study," LIMRA, 2021 (Data based on over 3,000 surveyed respondents)
[3] "The average American debt by type, age, and state," Insider, updated May 25, 2021

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5. PERSONAL ACCUMULATION

Creating a personal plan using cash-value life insurance can give you and your family tax-free[4] access to the cash value of your policy at any time, for any use. It may also provide financial resources, if sufficient cash value has been accumulated, and the freedom you need to address life's little what-ifs. A Personal Accumulation Strategy using a cash-value life insurance policy may provide you with a flexible source of cash for things like a major purchase, a vacation fund, or an emergency fund for life's unexpected costs.

6. PROTECT YOUR BUSINESS

If you are a business owner, you may want to ensure that it succeeds long after you are gone, or make sure your spouse or family receive equitable compensation from your business partners for your share of the business. As with any type of financial planning, adequate preparation is necessary to facilitate a smooth transfer of ownership and ensure the business continues to operate without disruption.

A life insurance death benefit can create the liquidity needed to meet day-to-day financial obligations and be a resource that your partners can use to buy out your share of the business without borrowing money or selling shares or assets of the business, which could compromise the future of the organization. Life insurance can also be used to cover the life of key employees whose expertise and experiential capital are paramount to the success of the business. Should that key employee pass away, the death benefit can be used to offset the financial burden incurred by the loss of the employee's economic impact on the business until a sufficient replacement is hired or trained.

7. PAY FOR COLLEGE

Of the many ways to save and pay for college, life insurance should not be overlooked as a complementing or alternative strategy. Many types of permanent life insurance policies, such as whole life or various types of universal life, build up cash value that can be used for any purpose, such as paying for college. Policy loans can be used to pay for college expenses, room and board, and other needs as well.[5] Another benefit of using permanent life insurance to save and pay for college is that **the cash value is generally excluded from certain financial aid calculations.**[6]

The average cost of attendance for a student living on campus at a public four-year in-state institution is **$101,948** over four years. Average traditional private university students spend a total of **$212,868** over four years.[7]

[4] If a policy is fully surrendered, allowed to lapse, or exchanged for another life insurance, annuity, or long term care policy, however, loans are taxable to the extent that the cash value exceeds the owner's tax basis in the contract. Withdrawals from the cash value that exceed the tax basis in the policy are taxable.

[5] Loans, withdrawals, and death benefit accelerations will reduce the policy value and the death benefit and may increase lapse risk. Policy loans are tax-free provided the policy remains in force. If the policy is surrendered or lapses, the amount of the policy loan will be considered a distribution from the policy and will be taxable to the extent that such loan plus other distributions at that time exceed the policy basis.

[6] "Assets You Don't Need to Report on the FAFSA," The College Solution, accessed online December 2021

[7] "Average Cost of College & Tuition," educationdata.org, accessed April 4, 2022

8. CASH VALUE ACCUMULATION

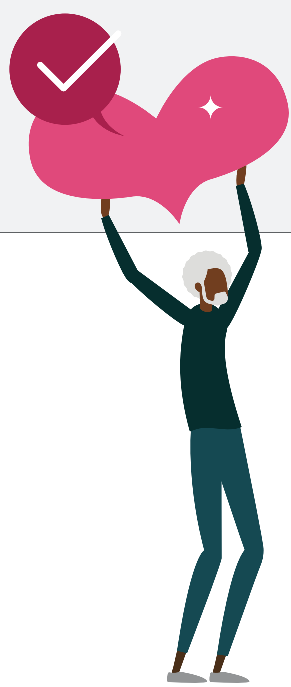
There are many options for planning and saving for retirement, including 401(k)s, IRAs, and annuities. Although life insurance is most commonly associated with death, the right type of policy may complement other retirement savings strategies. For individuals who have already maxed out other retirement account types or are not eligible to contribute to a Roth IRA due to income limitations, but are looking for additional ways to save, a permanent life insurance policy might be the answer.

Whole life, universal, and variable life policies, systematically build up cash value, as policy owners make premium payments into the policy, which can be accessed to supplement retirement income, through loans and withdrawals.[8] Moreover, distributions from the cash value are generally a tax-free return of basis first, then gains, mitigating tax burden throughout retirement. Additionally, some permanent insurance policies are eligible for dividend payments. Though not guaranteed, when paid, these dividends can be directed to enhance a policy's cash value. Furthermore, loans taken to cover costs in retirement are generally permissible.

Only **27%** of surveyed workers "feel very confident" they will be able to retire comfortably.[9]

9. ESTATE PLANNING

Estates that are large enough may be subject to a hefty federal estate tax bill with a top rate of 40%.[10] Additionally, several states assess an estate tax against certain estate sizes as well, and a few even assess an inheritance tax, imposing a tax bill on your beneficiaries based on the amount you leave them. While spouses are usually exempt, changes in tax law at both the state and federal level, over time, should always be considered. Future legislation could reduce or even increase the estate and inheritance tax burden. In either case, life insurance can be used to generate sufficient liquidity to cover these additional costs. Furthermore, life insurance can also be used to create an immediate estate for your beneficiaries upon your death. Life insurance passes to your heirs via beneficiary designation, bypassing the time, cost, headache, and public nature of the probate process. Moreover, death benefits generally pass to your heirs free of income tax.



Ultimately, leveraged alongside the protections of a will or trust, life insurance can ensure that a lump-sum death benefit will be available to effectively transfer wealth to your heirs.

10. CHARITABLE PLANNING

Life insurance can transfer an "amplified" gift to your favorite charity when you make the charity the beneficiary. A relatively small amount in the total value of premiums paid in relation to the final value transferred to the charity, can translate into an extremely large and meaningful gift, as compared to what the charity might receive through an otherwise, non-life insurance gift.

Additionally, the amount the charity receives is certain, as the death benefit is generally not subject to federal or state taxes, estate settlement and administrative costs, or any other expenses. Other types of gifts such as real estate or securities are subject to potentially wide fluctuations in value. Finally, life insurance passes via contract law, bypassing the time, cost, headache, and public nature of the probate process, so the charity gets to start putting your gift to work right away.

[8] Loans, withdrawals, and death benefit accelerations will reduce the policy value and the death benefit and may increase lapse risk. Policy loans are tax-free provided the policy remains in force. If the policy is surrendered or lapses, the amount of the policy loan will be considered a distribution from the policy and will be taxable to the extent that such loan plus other distributions at that time exceed the policy basis.
[9] "Retirement Security: A Compendium of Findings About U.S. Workers, 20th Annual Transamerica Retirement Survey of Workers," *Transamerica Center for Retirement Studies,* December 2020
[10] "Instructions for Form 706 (09/2021)," irs.gov, accessed online December 2021

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