10 reasons to consider life insurance

1 Protect loved ones

Life insurance is to help protect loved ones from the financial loss and hardship they could potentially be forced to endure in the event of a client's 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 clients and their loved ones from the many uncertainties in life, and help prepare them for just about any eventuality. Clients can sleep a little easier knowing that no matter what, their family will be well taken care of after they're gone.

3 Cover end-of-life expenses

Funeral costs can vary widely across the country, but typically average $8,300.[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 while they grieve.

Did you know 60% of surveyed Americans cite covering burial and other final expenses as a major reason to own life insurance?[2]

4 Retire debt

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

The average American has **$105,056** worth of debt across mortgage loans, home equity lines of credit, auto loans, credit card debt, student loan debt, and other debts.[3]

[1] "2023 NFDA General Price List Study," National Funeral Directors Association, 2023
[2] "LIMRA Provides Latest Life Insurance Data," LIMRA, 2023
[3] "Average U.S. Consumer Debt and Statistics," Experian, 2025

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5 Personal accumulation

Creating a personal plan using cash value life insurance can give a client and their family tax-free[1] access to the cash value of their policy at any time, for any use. It may also provide financial resources, if sufficient cash value has been accumulated, and the freedom needed to address life's little what-ifs. A personal accumulation strategy using a cash value life insurance policy may provide a client 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 a business

As with any type of financial planning, adequate preparation is necessary for business owners 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 to buy out a deceased partner's share of the business without compromising 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 build cash value that can be used for any purpose, including paying for college. Policy loans and withdrawals can be used to pay for college expenses, room and board, and other needs as well.[2] 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.**[3]

The average cost of attendance for a student living on campus at a public four-year in-state institution is **$108,584** over four years. Average traditional private university students spend a total of **$234,512** over four years.[4]

[1] 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.

[2] 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.

[3] "How 6 Different Assets Can Affect Your FAFSA and Financial Aid Eligibility," SavingForCollege.com, 2025

[4] "Average Cost of College & Tuition," educationdata.org, 2025

8 Cash value accumulation

For individuals who have already maxed out other retirement account types or are not eligible to contribute due to income limitations, a permanent life insurance policy might provide additional ways to save.

Permanent life insurance policies systematically build cash value as policy owners make premium payments into the policy, which can be accessed to supplement retirement income, through loans and withdrawals.[1] 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 to provide cash for things like a major purchase, a vacation fund, or an emergency fund for life's unexpected costs.

Only **21%** of surveyed workers "feel very confident" they will be able to retire comfortably.[2]

9 Estate planning

Estates that are large enough may be subject to a hefty federal estate tax bill with a top rate of 40%.[3] Additionally, several states assess their own estate tax or inheritance tax. While transfers to U.S. citizen 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 and help create an immediate estate for a client's beneficiaries upon their death. Additionally, life insurance passes to a client's heirs via beneficiary designation, avoiding the time, cost, headache, and public nature of the probate process. Typically, death benefits generally pass to a client's heirs free of income tax.

10 Charitable planning

Life insurance can "amplify" a gift to a client's favorite charity when they 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 in the form of a death benefit, 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. Comparatively, other types of gifts such as real estate or securities are subject to potentially wide fluctuations in value. Finally, life insurance passes via beneficiary designation, 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.

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 a client's heirs.

[1] 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.

[2] "The Retirement Outlook of the American Middle Class," Annual Transamerica Retirement Survey, Transamerica Center for Retirement Studies, 2024

[3] "Instructions for Form 706 (09/2021)," irs.gov, accessed May 2025

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