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# What Determines Your Life Insurance Needs?

## ***Life stages and circumstances***

When determining your life insurance need, you should first consider your life stage and circumstances. Marital status, number of dependents, size and nature of financial obligations, your career stage, and your intentions to pass on your property are all factors to consider. Your need for life insurance changes as the circumstances of your life change.

## ***Starting out***

In the "starting out" stage of life, you may be just beginning your career or family. You may not have children or other dependents at this stage, but that doesn't mean you have no obligations. For instance, if you paid for your college education with student loans, you likely had a cosigner for your loan--maybe your parents or a grandparent. The same may be true of your car loan. If you were to die before the loan is paid, your cosigner would be obligated to pay the debt. Under law, a cosigner is responsible for full payment of a debt in the event of default. Death doesn't erase the debt obligation.

## ***Single adult***

A growing percentage of the population now falls into the single adult demographic group. This group covers a broad spectrum of ages, lifestyles, and obligations.

## ***Family obligations--Parents***

Although you may not have a spouse, your death could have a serious financial impact on other family members. If, like many adults, you are supporting your parents (either financially or with care), your death could have a major impact, both emotionally and financially. They would not only lose the support you have been providing, but they would also need to come up with the money for your final expenses.

## ***Family obligations--Children***

If you are a single parent, the primary financial support for your children would die with you. If you are lucky, you may have family members who would step in and help your children if you died. If you are even luckier, they will be able to provide your children with the education and lifestyle you had hoped for them to have. Your need for life insurance as a single parent is even greater than that of a dual-parent, dual-income household, which would still have one income if one parent died. Life insurance is a cost-effective way to make sure that your children are protected financially should anything happen to you.

## ***Debt obligations***

In this stage of life, you may still be paying for or even still accumulating education loans. You may have purchased a house or condo with a cosigner. If you died, your cosigner would be legally liable for the payments on the debt.

## ***Protect your insurability***

Another reason to buy life insurance at this stage of your life is to protect your future insurability. Once you buy a permanent, cash value life insurance policy, it remains in effect for your entire life (assuming the premiums are paid), even if your health changes. If you were to experience a serious change in health, you might not be able to buy additional insurance coverage, but you would still have the permanent coverage you already own.

## **Insurance mistakes**

### ***Dual-income couple or family***

If you and your spouse both earn an income, it is possible that if one of you died, the other may be able to cope financially on the remaining income. If there are mortgages, joint credit cards or other debt, or children in the picture, the loss of one income could be much more difficult to overcome. The more people who depend on your income while you are alive, the more life insurance you should own. If you died today with insufficient or no insurance, your mate could be forced to give up the residence or lifestyle for which you have both worked. When there are children involved, the loss of one breadwinner could mean a setback in the daily way of life, not to mention any plans for private school or college.

### ***Parent of grown children***

Just because your children have grown up and left the nest doesn't mean you have no need for life insurance. You may have spent your entire adult life building an estate that you intend to pass on to your children, grandchildren, or favorite charity. You can use life insurance to ensure that the bulk of your estate passes to your heirs or designated charitable organization subject to certain tax advantages.

### ***Part of overall financial planning***

Determining your life insurance needs should not be done in isolation. Instead, it should be looked at as part of your overall financial plan, with consideration given to your goals for savings and retirement, as well as tax and estate planning. As your life changes, your financial goals may change, as well as your need for life insurance, making it important to also periodically review your coverage.

### ***No insurance***

The worst mistake you could make concerning life insurance is having a need and not having any insurance at all. Very often, people can find all sorts of excuses for not buying life insurance. It's no fun to plan for your death, for one thing. For another, there's the tendency to think that dying won't happen to you, only to some person you read about in the obituaries. But how many times have you heard about a young, apparently healthy person dying suddenly in a car accident, leaving behind a spouse, a young child, and no insurance? Sadly, it happens, and when it does, the family faces not only emotional trauma but possibly an extremely difficult financial situation, as well.

### ***Not enough insurance***

The majority of people with insurance are underinsured. Insufficient coverage can occur as a result of buying what is affordable instead of what is needed. Failure to review your coverage periodically could also result in insufficient insurance, even if you started out with adequate levels. Inflation rates, your career, and your lifestyle may have changed. Your family could be faced with a large financial gap and left unable to maintain the current lifestyle if you died today. Consequences could include loss of the family home, scaling back of college plans, and possibly years of financial difficulty.

### ***Too much insurance***

If you purchased a large policy during one point in your life and then didn't adjust your coverage when your insurance need was reduced, it is possible that you have too much life insurance. This is another good reason to periodically review your coverage with your financial planning professional. Periodic reviews of your insurance coverage can reveal opportunities to change your levels of coverage to match your current and projected needs.