

# THE MONEY COACHES



Procrastination is the friend of failure.

-John G. Miller

LIFE INSURANCE

## WHY YOU NEED LIFE INSURANCE

Who needs it and how much?



Life insurance is not something we really enjoy thinking about. Most of us buy it begrudgingly and hoping we never have to use it. It is a subject that makes many folks nervous and so they avoid even contemplating the need for it. Similar to putting off a will or long-term care insurance, these avoidance tactics are just us not looking at reality.

Ask yourself: *Do I know anyone who is 150 years old?* Of course you don't. That tells us that we will someday face our final hour. Life insurance is not there for the one who passes on, but for those they care about who are left behind.

In dealing with life insurance we need to answer two critical questions: *Who needs it? And how much do they need?*

To answer the first question, *who needs life insurance*, we have to consider several things. If any family member passes on, what financial impacts will that passing have on those remaining? There are many possible impacts that may occur.

- Final expenses
- Loss of income (both current and future)
- Cost of child care as well as other work contributed by a stay-at-home parent
- Lower Social Security benefits in retirement

Life insurance is there to replace lost income and to help pay for all the things that a person contributes financially, whether directly or indirectly, to a household. It cannot replace loved ones; it just helps those who carry on to move forward with less fear. Please understand that we recognize that no amount of money can take away from a devastating loss. However, the lack of needed funds during a time of grief and loss is something that is avoidable.

The next question is *how much life insurance do I need?*

To answer that, we need to factor in how the family finances are at present. We recommend for most families to have 6-12 times the current income of the individual who is being insured.

For example, a person with a take-home pay of \$40,000/year would need between \$240,000-480,000 in coverage. Families with high debt load need to think in terms of the higher multiple.

To take that a little further, let's look at some scenarios:

What if a parent passes away prematurely and leaves the surviving parent with children to care for?

What if a family member steps in to help the surviving parent? How might that impact their income, retirement, career advancement, health, relationships, etc.?

Is it wise or fair to assume a family member will come to the rescue in this situation?

What expenses might arise from the loss of a family member's skills around the house (e.g. automobile repair, home repair, mowing, grocery shopping, etc.)?

The point here is not to be morbid. It is to be honest about facing reality. As a caring and loving member of your family, make sure you do all you can to ease any burden they might face from your loss.

### Life Insurance Tips

**Here are some tips from Ramsey Solutions on life insurance:**

#### **Make sure you buy enough**

Buying 6-12 times your take-home income in life insurance coverage is what is recommended to allow your family to live comfortably until they figure out the next step in their lives.

#### **Buy Young**

Buying your life insurance while you are younger is the most cost effective. As you get older your health risks increase and typically, so do your premiums.

#### **Do Not Buy For Too Short a Term**

Buying a policy that ends before your need does can be a problem. The general rule is to buy for long enough that your children will be out on their own. If your policy ends sooner and you have a medical issue during the course of that policy, it may be difficult and expensive to get a replacement policy.

#### **Watch Out For Unnecessary Riders**

People often increase their life insurance premiums by adding policy riders that may or may not offer significant value. Make sure any riders offer real value.

#### **Review Your Policy Regularly**

What works for you now will not necessarily work for you in ten years. This applies to nearly every facet of life, and life insurance is no different. Reviewing your policy yearly is a good idea to make sure it still serves your needs.

# TERM LIFE INSURANCE VS WHOLE LIFE INSURANCE

## WHAT IS THE DIFFERENCE AND WHICH SHOULD YOU CHOOSE?



When you begin investigating options for life insurance you might not know very much. One of the things you will discover pretty quickly is that there are two main types of life insurance that are commonly available. Those are term life insurance and whole life insurance. Both have their own advantages and disadvantages. Some people will tell you that one is inherently better than the other, but in reality you need to get as much information as possible and use your discretion to pursue the type that provides the most real benefit to you.

### Term Life Insurance

Term life insurance is purchased for a specific time period known as a term. It is generally far cheaper than whole life and becomes more expensive to purchase as you age. Where whole life offers some savings benefits, term life insurance only pays benefits out at death and only if that occurs during the term while the policy is in effect.

There are two recommendations we generally make regarding term life insurance. First, purchase between 6 and 12 times your yearly income in coverage, as we have discussed already. Second, make sure you purchase for a term length that makes sense for your need.

Term life insurance that is a part of your job's benefits package is in effect as long as you are employed by your current employer. If you move to another job, it may or may not be portable, but if portable, the premiums would become your responsibility to pay.

You can and almost certainly should purchase additional term life insurance coverage outside your employment. A term policy can be kept in

service as long as you pay your premiums and for the agreed upon length of the term or contract.

### Whole Life Insurance

Whole life insurance is an insurance policy that covers you for your whole life, hence the name! It is a more expensive type of insurance and typically requires a health examination to qualify for it. The main advantage of a whole life policy is that it provides the ability to accumulate cash value over the life of the policy, which can make it a good choice for some people for the purposes of estate planning. You can also borrow against the cash value accrued during the life of the policy.

### Which Should You Choose?

The most important thing to do in this process is to work with a knowledgeable life insurance agent to help you evaluate your needs. They will weigh factors like your age, health, family needs, final expense plans, debts, and future needs to help advise you on what to choose.

What we have found consistently through talking with people is that they are underinsured. Many have only their employer-provided minimum insurance, which is typically one year's salary or less. That is not nearly adequate to cover final expenses and other needs of your family.

During the next open enrollment period for your employer, make it a point to talk with your insurance person about your coverage. There may be good options for adding to your existing coverage, or you may need to consider taking out a supplemental policy on your own. The important thing is not to neglect this need. It is not comfortable to think about, but taking care of the ones you care about is worth some discomfort.

## WHAT'S COOKING?

### Easy Crock Pot Potato Soup

#### Ingredients:

- 1 30oz. bag of frozen diced hash browns
- 1 32 oz box of chicken broth
- 1 can of cream of chicken soup (10 oz)
- 1 pkg. cream cheese (8 oz, not fat free)
- 3 oz bacon bits
- 1 cup shredded cheddar cheese
- salt and pepper to taste

#### Directions:

Put the potatoes in the crockpot. Add in the chicken broth, cream of chicken soup and half of the bacon bits. Add a pinch of salt and pepper.

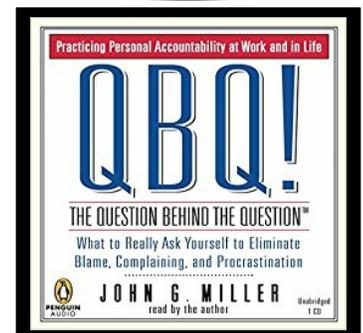
Cook on low for 8 hours or until potatoes are tender.

An hour before serving, cut the cream cheese into small cubes. Place the cubes in the crock pot. Mix a few times throughout the hour before serving. Once the cream cheese is completely mixed in, it's ready to serve.

Top with cheddar cheese and some additional bacon bits.

Enjoy!

### Special Offer!



The first 50 people to call or email after receiving this newsletter will get their choice of a CD Audiobook or paperback copy of QBQ: The Question Behind the Question, by John Miller! Send emails to [chris@themoneycoaches.com](mailto:chris@themoneycoaches.com).



## THE MONEY COACHES

Rich Keller  
Cell: (765) 592-0027  
[www.themoneycoaches.com](http://www.themoneycoaches.com)