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Written by Jim Zientara

## **Do you need life insurance?**

If you are very wealthy, probably not. But for the rest of us, we may fall into two general camps.

Camp #1 is those who don't care or don't have anyone or anything they want to leave things to when they die.

For example, suppose you are an only child with no parents, no heirs, no friends, etc. You still have an estate of your stuff, and you should say in writing where it goes.

Camp #2 is the rest of us who do care and do have people or organizations they want to leave money or stuff to when they die. You feel you have responsibilities such as taking care of your parents, an invalid child, or your spouse and kids.

In that case life insurance can create an immediate estate when you die. But how much is enough?

That's a tough question because there are so many variables. Let's look at some.

Suppose you are age 25 and start earning \$25,000 after taxes. At age 65 with a 1% compound increase annually, you will have earned about \$1,275,000.

Suppose you are age 45 and earn \$50,000 after taxes. At age 65 with a 1% compound increase annually, you will have earned about \$1,173,000.

This is what's called "bringing home the bacon." It is your life's work, and people rely on that money. I presume your family still wants to eat and have a roof over their head after you die.

Maybe a policy of \$1,000,000 might be a good start.

When you die, you know there will be money available, depending upon the claims-paying ability of the insurance company. Some call it an "instant estate."

You may have died in an "instant," but a large "estate" of money becomes available to your named beneficiaries.

Some call life insurance "death insurance." You don't want to die, but when it happens, you have provided money for the living to continue on with their lives.

Auto insurance is in case there is an auto accident, and fire insurance is in case of fire. You need life insurance in case you die.

Life insurance can be complicated. For instance, there are many insurance companies and agents with many different policies and riders with similar names.

A general agent usually represents many companies, and is a good starting point.

The general agent probably has a form to fill out asking questions about your age, weight, height, what face amount are you thinking of, etc. There are two common forms of life insurance.

Term life insurance is bought usually for a term, where you pay premiums for maybe 10, 20, or 30 years.

You may want term insurance if your kids are young, to make sure there is college money available even if you are gone.

Whole life insurance is bought and paid for as long as you live. Somebody has to bury you and pay final expenses and bequests.

There can be one whole life policy with a term rider or two separate policies of term and whole life.

Whatever you decide, the sooner the better. Insurance is based on many factors, especially you're health. You might even be required to take a free physical exam.

Your health may be fine today, but if you put off buying life insurance and your health becomes bad tomorrow, you may be denied insurance.

Some say an insurance company is selfish. They want to issue a policy to a healthy person and have that person live for many years while paying premiums. That is probably your plan, too, to live a long life.

You might start with \$1,000,000 of coverage, but as time passes, your responsibilities may lessen and you feel you only need \$500,000 of coverage. Depending on the policy, you may be able to contact the company and they may reduce the coverage and the premiums.

I sold my first policy in 1968 to fellow graduate students at Indiana University. I've been at it a long time! Start by contacting a life agent to talk about insuring what needs to be insured.

Jim Zientara is a Financial Advisor and Planner with Raymond James Financial Services, Inc. Member FINRA/SIPC. Investment Advisory Services are offered through Raymond James Financial Services Advisors, Inc. He can be reached at 941-750-6818 or at [www.thefinancialplanningguy.info](http://www.thefinancialplanningguy.info) with an office at 11009 Gatewood Drive, Suite 101, Lakewood Ranch, FL 34211. Any opinions are those of Jim Zientara and not necessarily those of Raymond James.

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