



## Reviewing Life, Long-term Care and Disability Insurance Needs

After the purchase of an insurance policy, it might be easy to file these policies away and avoid thinking about a potential future unfortunate event that could trigger a claim. However, family and business situations change so it is important to periodically review your existing insurance policies and needs with your financial advisor so you know what you own, and are confident that your protection is keeping up with life's changes. Having the appropriate coverage can mean the difference between financial security and financial peril. Determining the appropriate coverage can be challenging given that needs change over a lifetime and there are many different types of insurance plans in the marketplace today.

### REVIEW EXISTING POLICIES

As a first step in reviewing your insurance needs, it is important to take an inventory of your existing life insurance, long-term care insurance, and disability insurance policies. A review of your existing policies includes examining the health of the policies and determining whether the policies continue to meet your needs. By giving your financial advisor current statements or illustrations, they can start this process of reviewing the contract(s) and explore what other options may be available. The competitive landscape has changed in recent years and if the insured person (s) is still insurable and a change is warranted, they may be able to improve their premiums and/or benefits with a new policy.

### REVIEW CURRENT INSURANCE PLANNING NEEDS

Insurance needs are different for each person and can change with life stages or with a significant life-changing event. Just as you examine insurance options when you buy a new home or car, you should also reassess your insurance coverage when certain events occur such as a marriage, divorce, retirement or a job change. Below is a listing of some common insurance planning needs and ways you can address those needs.

## **FAMILY PROTECTION PLANNING**

*Survivor Income Needs:* Many families rely on their wages to meet their current living expenses and the loss of those wages would be critical to the financial wherewithal of the family. Life insurance can provide an important source of funds for your family if you die, especially during the working years. Your financial advisor has the ability to run a Life Insurance Needs Analysis to help determine your needs for surviving spouses, partners or dependents in the event of an immediate death. Either term (temporary) or permanent life insurance could be used to fund this need. Term insurance can be more cost efficient, but some choose permanent life insurance policies because they offer tax-deferred cash value growth that could be accessed prior to retirement age.

*Disability Planning:* During a prolonged illness or injury, you could lose your income and everything it provides. The chance of have at least one long-term disability that lasts for three months or longer before age 65 for a 35 year old is 48% and for a 45 year old is 40%.<sup>1</sup> Disability insurance protects against the loss of income if a covered person is unable to work due to illness or injury. Your advisor has the ability to run a Disability Needs Analysis to determine if the existing amount of insurance is appropriate for your situation.

## **LONG-TERM CARE PLANNING**

*Long-term Care (LTC):* The national average for one year for a private nursing home room can cost more than \$94,170<sup>2</sup> and at least 70% of people over the age of 65 will require long-term care at some point in their lives with 20% requiring care for longer than 5 years<sup>3</sup>. Long-term care insurance provides a benefit if you can no longer take care of yourself and need facility care or home care. Your advisor can run a Long-Term Care Needs Analysis which provides an illustration that indicates how an extended need for care could affect your ability to achieve other life goals. Financial advisors can offer several insurance alternatives to fund the potential LTC need.

*Traditional Long-term Care-* With a traditional LTC policy, you have the ability to customize the policy's benefits and features to emphasize what is most important to you. These include tax-free benefits that may increase over time to help offset inflation, the ability to share a policy with a spouse rather than purchase individual policies, and the ability to tailor your policy to fit your financial needs.

*Life Insurance with Long-term Care Rider-* To avoid the "use-it-or-lose-it" aspect associated with traditional long-term care insurance often individuals like to purchase hybrid insurance that combines life insurance with long-term care insurance. In these policies the value of the death benefit (in some cases a multiple of the death benefit) is available to pay for covered extended health care services, after the elimination period has been satisfied. In addition to combining LTC benefits and death benefits, some products offer a return-of-premium feature, which ensures that if the policy is surrendered prior to claim, an amount not less than the original premiums paid will be returned to the policy owner.

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<sup>1</sup> *Principal Life Insurance Company*

<sup>2</sup> *John Hancock Cost of Care Survey, 2013*

<sup>3</sup> *U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, [www.longtermcare.gov](http://www.longtermcare.gov)*

## LEGACY PLANNING

Some families desire to leave their heirs a specific amount or are trying to provide their family with a source of liquidity at death to pay for expenses such as taxes. Permanent life insurance provides leverage, tax benefits, and liquidity on death as well as a hedge against market and portfolio fluctuations. If you have an estate tax concern, life insurance can be owned outside the estate to provide a leveraged income and estate tax free death benefit to heirs.

## BUSINESS PLANNING

*Business Succession Planning (Buy-Sell):* A buy-sell agreement is a written contract between two or more owners of a business that sets out the rules and expectations in the event of death or disability of one of the owners and gives the other owners a right or obligation to buy out his or her shares. Proceeds from a life insurance policy could be used to fund a buy/sell arrangement.

*Key Person Insurance:* Key person life or disability insurance is used to protect the business against financial losses or additional expenses resulting from the death or disability of a key employee or owner. The main purpose of this insurance is to provide the business an immediate source of tax-free cash to fund business needs.

*Employee and Executive Life Insurance Strategies:* Permanent life insurance policies offer cash value accumulation and death benefits that can be designed as attractive employee benefits for key employees.

**Contact your Benjamin F. Edwards Financial Advisor:** Throughout an individual or business lifespan, insurance needs change, and as a result changes may need to be made to the amount and type of insurance owned. Your Benjamin F. Edwards Financial Advisor can help you review your existing insurance and insurance needs to ensure your family and business have the proper amount of insurance protection.

## IMPORTANT DISCLOSURES

The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. It is made available with the understanding that Benjamin F. Edwards & Co. is not engaged in rendering legal, accounting or tax preparation services. Specific questions on taxes or legal matters as they relate to your individual situation should be directed to your tax or legal professional.



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