

LIFE INSURANCE 101 FOR RETIREES



According to a recent 2016 Insurance Barometer Study by Life Happens and LIMRA, having enough money for a comfortable retirement continues to be the top financial concern among most American consumers (66 percent). Next on the list are two related, and just as troubling, retirement concerns—paying for long-term care (58 percent) and medical expenses (58 percent).

Life Insurance

It may seem counterintuitive that empty nesters or retirees need life insurance, but some still have dependents, such as disabled adult children. Many also still have financial obligations, such as the mortgage on a home or second home, that could become a burden if a spouse died or becomes disabled. More importantly, if you died today, your spouse could outlive you by decades. Would they have to make drastic lifestyle changes to make ends meet? Your death could reduce the Social Security benefits they'd been counting on. It could also bring unplanned medical and funeral expenses.

Life insurance coverage can preserve the retirement plan you worked so hard to put in place and ensure your estate will be passed on, intact, to your survivors. A policy's death benefit can help foot the estate tax bill from Uncle Sam and provide a legacy for your children and grandchildren, even if you use up most of your assets during your lifetime. For all these reasons, if you've been thinking about dropping your life insurance coverage, you may want to reconsider.

Long-Term Care Insurance

Long-term care insurance usually takes effect when you cannot perform at least two activities of daily living such as bathing, eating or dressing. The cost of this insurance rises as you grow older, but if you don't have it and can afford it, you should consider it. The cost of home health care aide, an assisted living facility or a nursing home can quickly deplete your life's savings. Medicaid, a government program, only kicks in once your assets are significantly depleted, and you may not get exactly the care you're hoping for.

Annuities with Long-Term Care Benefits

Insurance companies have recently come up with "hybrid," or linked, policies. These vehicles allow you to obtain a fixed annuity and to then attach a long-term care rider. Should you have a qualifying need for long-term care services, you could access a monthly benefit for a set number of months or, in some cases, for the remainder of your life.

The purchase of a fixed annuity with LTC benefits can be less expensive than buying a stand-alone LTC insurance policy. And when you deposit funds into the annuity, that money is yours to spend regardless of whether you need long-term care or not.

Whether you're an empty nester or already in retirement, it's always a good idea to reevaluate your insurance coverage and needs. To find out more about life and LTC insurance and if you need additional coverage, be sure to contact your financial professional.

Information for this article was provided by Life Happens, a nonprofit organization dedicated to helping consumers make smart insurance decisions to safeguard their families' financial futures: www.lifehappens.org.

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