

## **Do Retirees Need Life Insurance?**

You have worked for 40 years or more, and now you've finally reached your retirement years. The days of uncomfortable suits, boring business meetings and endless office hours are behind you. But are the days of paying into a life insurance policy behind you, as well?

For some people, it does not make sense to continue to carry life insurance after retirement. However, many retirees cannot imagine getting rid of their life policy. To some, it seems a bit preposterous to cancel a policy that they've paid into for years, especially when they haven't gotten anything out of it yet.

It is important to remember that life insurance is not meant to actually insure your life. The purpose of life coverage is to protect those who rely on your income from financial hardship if you were to die.

If you were to pass away during your working years, an effective life insurance plan would ensure all your family's financial needs will be covered from the monthly mortgage and utility bills to your child's college education.

But most retirees no longer have children who rely on their income. By the time you reach retirement, your offspring are most likely grown up and earning their own income.

Plus, at this point in your life, your spouse would probably be covered by income from your retirement investments. However, in some instances, retirees may still have a need for a life insurance policy, whether they have family members who still rely on their income, or it simply gives them peace of mind.

As you decide whether or not to cancel your life insurance policy post-retirement, here are a few things to keep in mind:

### **No loss, no gain**

Ask yourself this question: Will any of your loved ones suffer from a financial loss if you were to die? If you answer "no," then there's probably no need for you to keep your life insurance policy.

For the most part, only the following people need life insurance:

- Couples in their peak earning years.
- Parents of non-adult children or grown children with special needs.
- Retirees who will lose a substantial portion of income if one spouse dies.
- Families with a large estate that will be subject to estate tax.
- Business owners and business partners.

If you are retired and do not fall into one of these categories, you probably don't need life insurance. Because you are no longer working, you are not bringing in a stream of work income.

There's no need to cover income that isn't there. On top of that, if you are married and your spouse is also retired, he or she will continue to receive a steady source of income from your retirement funds. Therefore, their income would remain the same after your death.

### **Leaving a legacy**

While you may no longer need life insurance, you might still want life insurance.

Maybe you are just comforted knowing your family will receive some kind of payout after your death. Even if they don't need this money, maybe it's worth it to you to give up some of your income now to make sure they benefit later.

On the other hand, you may want to donate your life insurance death benefit to your favorite charity. If this thought brings you peace of mind, it may be worth it to keep that life policy. You could ultimately leave a large amount of money to a charitable cause.

### **Protecting your estate**

If you own a successful small business or have a high net worth, your estate may be subject to estate taxes after your death. Depending on the value of your estate, these taxes can be steep, and this could create serious financial hardship for your loved ones, especially if your estate isn't easily liquidated.

Death benefits from a life insurance policy can help pay these taxes.

Everybody's situation is different, so the right answer depends on your unique situation. If you are struggling to make this decision, give us a call. We can help you weigh all the options and your goals.

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