INFLATION IMPACTS YOUR INSURANCE COVERAGE TOO

Make the necessary updates before you need them (when it's too late)

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When Jill & John Smith purchased their life insurance policies ten years ago, they based their coverage on their anticipated obligations and needs. They made policy decisions, taking into account the mortgage on their home, projected college education costs, and living expenses. Well, that was then - and this is now.

Recently, the Smiths reevaluated their insurance needs and were surprised to discover their insurance coverage was inadequate. How could this be? The answer is really quite simple - inflation.

Because inflation affects future purchasing power, it also affects future life insurance needs. For couples like the Smiths, inflation means that life insurance coverage, which may have been adequate several years ago, may no longer be sufficient. With this in mind, consider three of the more common life insurance needs that may be affected by inflation.

Mortgage Obligations

Until recently, it seemed that many people who bought their homes lived in them for most of their lives. Today, Americans are increasingly mobile. Changing employment opportunities, the work-from-home movement, along with dual incomes, have altered the dynamics of family finances.

In many cases, a growing family may now be able to afford to pay a mortgage on a lot more "house" than at any time in the past. Does this trend minimize the reality of inflation and the rising costs of homeownership? Not at all.

College Education Costs

If you are planning on sending your children to college, you are probably concerned about the escalating costs of higher education. And, rightfully so.

The average cost of college in the United States is $35,720 per student per year. The cost has tripled in 20 years, with an annual growth rate of 6.8%. The average in-state student attending a public 4-year institution spends $25,615 for one academic year.

To be prepared, factor inflation into your college savings strategies. Make sure you have adequate life insurance to help provide financial protection in the event of an untimely death, and consider increasing your coverage so that it best reflects the future cost of education.

Daily Expenses

Shopping at the grocery store...pizza on Friday nights...taking your children to the movies...filling up your gas tank...purchasing a new car. Over the course of time, the costs associated with these necessities and "treats" of everyday life are affected by infaltion.

As a result, your family's future lifestyle could be affected too. By basing your life insurance needs on your current income and today's cost of goods and services, you are potentially shortchanging your family's future. Be sure to account for increases in the cost of living as you insure your family's current and future financial security.

Future Projections

Determining your current life insurance needs is one thing. But, figuring out how much coverage you'll need in the future requires you to pay careful attention to inflation and how it can affect your lifestyle.

Regular reviews of your insurance coverage can help you keep pace with inflation and your changing needs. Make the necessary updates before you need them.

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