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Is Your Current Life Insurance Coverage On Par?

When Steve Williamson purchased his life insurance policy several years ago, he assumed that his life insurance planning was complete. If Steve paid his premiums on time, he figured he could just sit back and not need to think about life insurance anymore. True, Steve's policy has provided him with peace of mind by helping to protect his family's finances. However, that doesn't mean he should never review his insurance coverage again. You see, life insurance is just like any other piece of your financial puzzle. It should be monitored periodically as needs and circumstances change. That way, you can help ensure your life insurance program is achieving its desired objectives. Here's a closer look at some of the things that Steve, and all policyholders, should review on, at least, an annual basis.

Times Change, Needs Change

The first thing Steve needs to determine is if his original reasons for purchasing his policy still hold true. He should also evaluate whether or not he's developed some additional needs. For instance, when Steve purchased the policy, he had just married and owned a modest home. Now, Steve and his wife, Cindy, have children and a much larger home. Will Steve's existing policy be able to cover these new responsibilities—which include college funding for the children, covering a substantial mortgage, and protecting his family's overall financial security? More than likely, Steve will need additional life insurance.

In addition, if Steve's existing policy is **term insurance**, he may want to consider converting it to a **permanent contract**. Permanent insurance is unique in that it has a **cash value** component that offers the potential for tax-deferred accumulation, as well as the same **death benefit** features of term insurance. In later years, the cash value could come in handy to help supplement college funding costs or retirement income needs.

Beneficiaries Change, Too

As it stands now, the primary **beneficiary** of Steve's life insurance policy is his wife, Cindy. And, if Cindy were to predecease Steve, the policy names Steve's nephew as a **contingent beneficiary**. Now that Steve has his own family, it is imperative that he change his policy's beneficiary arrangement so it reflects his true wishes—his children as contingent beneficiaries. In addition, if Steve and Cindy eventually set up a **living trust**, their legal professional may suggest naming their trust as the policy's beneficiary.

Life Insurance - It's an "Asset"

Regardless of the *type* of life insurance, or *who* is the beneficiary, the death benefit proceeds from any policy owned by Steve will be part of his estate. It's important that Steve and Cindy recognize this. As Steve and Cindy's asset base increases over the years, they'll need to plan accordingly to help reduce the effects of estate taxation.

Regular Reviews & Qualified Guidance a Must

Without a doubt, life insurance plays a significant role in solidifying family finances of couples like Steve and Cindy. However, it is also important to recognize that, like all financial matters, life insurance policies need to be reviewed on a regular basis with a qualified professional. A qualified insurance professional can be a valuable resource when it comes to evaluating your present situation and determining an appropriate course of action.

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