

# Why buy life insurance?

**By Peter Murphy**

Insurance companies are similar to other businesses intent on acquiring new customers and improving client services. Life insurance is just one of many benefits insurance companies provide but unlike most other insurance products life insurance is guaranteed to pay a claim, as death is inevitable! Of course, this is only true if all premiums due have been satisfied. Automobile, home, disability, long-term care and a myriad of other insurance policies cannot provide this same guarantee.

Life insurance is a wonderful commodity. It contains numerous attributes and policy owners purchase it to cover a variety of needs. Many customers initially buy life insurance to protect loved ones in the event of premature death. The intent is to protect one's spouse, partner or family during working years when the loss of a primary wage earner would place beneficiaries in financial distress. The insurance is purchased to pay off debt, replace lost income and allow loved ones to maintain their current lifestyle for a designated period of time.

As policy owners age, their standard of living increases and life goals mature, life insurance needs evolve. Oftentimes customer desires shift away from requiring life insurance protection, toward accumulating retirement wealth. Cash value in many life insurance policies can be accessed for this benefit, either through withdrawals or loans which generally are received income tax-free. Life insurance cash value accumulation allows policy owners to supplement their retirement income and/or meet unplanned life emergencies. Knowing that life insurance can diversify your retirement portfolio is an important aspect to consider when deciding on the appropriate policy.

For people with legacy aspirations, life insurance can be specifically designed to accomplish this goal. It is an instant estate builder, able to create an immediate income tax-free inheritance to designated beneficiaries. One significant characteristic of life insurance is death payments bypass probate with its costs, delays and lack of privacy. Death benefit proceeds are generally distributed income tax-free, providing immediate liquidity to pay taxes and transfer costs which reduce or eliminate the need to liquidate inheritance assets such as real estate, farms, businesses, art, and homes. For many policy owners life insurance is used to equalize inheritances among beneficiaries where property and business holdings are involved.

For business owners, life insurance offers business security, either by insuring a key employee or by protecting sole proprietors' businesses for their survivors. It can also protect business partners by providing funds for a buy-out should a partner's survivors be disinterested in shared business interests.

Some life insurance policies provide accelerated benefits should the insured become chronically or terminally ill. Likewise viatical and life settlements, where an insurance contract is sold to a third party for a cash disbursement, are available to cover health related or life change events.

Have you considered purchasing a life insurance policy for your grandchildren, providing them with a retirement pension plan in old age? Have you considered the benefits of a joint life insurance policy to gift beneficiaries an inheritance? Are you aware that hybrid life insurance products exist, which combine the features of long-term care, accelerated living benefits, disability and life insurance? If you don't want to pay for long-term care insurance, have you considered a life insurance policy to provide beneficiaries an inheritance if long-term care obligations deplete your retirement nest-egg? Should you die first, will your spouse remain financially secure in retirement with reduced social security benefits and loss of your pension plan?

Protection, liquidity, legacy and retirement income are life insurance attributes to be discussed with your life insurance and financial advisor so you can acquire the best policy to meet your requirements. There are many insurance companies vying for your business so don't settle for less (or more) than you desire as most life insurance policies can be individualized to meet specific objectives. Life insurance costs do increase with age so if you have deferred a life insurance decision, call me for a no cost, no obligation consultation to investigate your options.

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