

# Building a Family Life Insurance Strategy

By Corry Collins CLU CHFC CHS



If you can reduce it to the basics, people buy life insurance for one of two reasons. First is to create an estate, and second is to conserve an estate.

Generally people will work for their entire career in an effort to provide their family with what is referred to as their life style. In the event that a person dies, they most often want the family to be kept in the same life style they are used to.

Life insurance is most often the solution to this problem. Life insurance creates tax free dollars which can be used to replace the breadwinner's income, and thus replaces life style.

Beyond this, if an individual has worked long and hard enough before he/she dies, then the need changes. The need is no longer required to "create" an estate, because it has already been created by your hard work. For example, the home is paid off, the cottage is paid off, and there is some money in the bank. At this point, life insurance is most often used to conserve the estate rather than creating one. This need is often reduced when compared to the need at the start of your career. When conserving the assets, the insurance proceeds are now used to pay bills and taxes so that assets are not required to be sold.

In the beginning of a career, the bulk of insurance is a temporary need and diminishes. In the long

run, the need is permanent and never goes away. The products required to solve the needs, is often a combination of Term (temporary) and Whole life (permanent). The amount of coverage depends on your life style and income earned.

People buy products as the need develops, and as they finances dictate. If permanent products are out of range, then term insurance most often fits the bill as a short term solution. A unique feature of some term policies is the ability to change or (convert) the policy to a permanent policy at a later date without the need to show evidence of good health. Thus a proper solution might be to incorporate group insurance, with personally owned term coverage, along with some form of permanent insurance. It's never an all or nothing answer.

Buying life insurance is a process and not an event. People generally purchase coverage on average seven times in their life. Seldom does anyone buy everything all at once. The need changes and the cost of insurance has also decreased in recent years because people are living longer. A review often creates unexpected savings.

A good piece of advice is to develop a relationship with someone you trust, and work with over the long term to build a strategy.