

Peace of Mind with Life Insurance

Hey, guys. It's Jordan at Journey Financial, and I'm so excited to be with you this month to talk about our Slice of Advice.

First, a couple of housekeeping items and upcoming events.

We have our photo contest coming back in September 2026. You should be seeing information about it on Facebook and through email.

On October 14th, our next Slice of Advice will cover **The Power of Roth Conversions**.

November 11th will be all about **RMDs**.

Our Christmas party will be on December 3rd, followed by our final Slice of Advice of the year on December 9th.

I'm excited, so let's hop into it.

Peace of Mind with Life Insurance

Today's topic is **Peace of Mind with Life Insurance**.

Everything I'm going to present today comes from questions attendees asked during our last in-person Slice of Advice. We had a whole list of questions, and I went through them and asked myself: What can I cover in a short amount of time that will be meaningful?

Today, I want to talk about three main questions:

Do I need life insurance? What kind do I need? And is it worth the cost?

At the end, I'll also give you a helpful checklist of five things you should consider when looking at life insurance.

There's a lot to cover.

Do I Need Life Insurance?

Age comes up quite frequently.

People will say, "Why would I get life insurance? I'm X number of years old," or, "I'm retiring. I don't see the need for life insurance."

The biggest thing I want to point out right from the beginning is that life insurance is not just about paying off debt.

It isn't simply, "I have a mortgage, and if I die, I need my surviving spouse to be able to pay off the mortgage."

That's not the only thing life insurance can accomplish.

Creating Security

Life insurance can create security for the spouse you leave behind.

Even if the house is already paid off and there are no car payments, loans, or other major debts, life insurance can give your surviving spouse more options during an incredibly difficult time.

It allows them to know that finances are not something they immediately have to worry about.

That can be incredibly important.

Creating a Legacy

If you're concerned about leaving a specific dollar amount to your children or other beneficiaries, life insurance can also help you create a legacy.

It may allow you to spend assets during your lifetime that you otherwise planned to leave to your children while still providing a tax-free death benefit to your spouse or beneficiaries.

It can be a powerful way to create a lasting legacy.

Tax Strategies

Another reason life insurance may be incorporated into financial planning is for tax strategies.

There are types of life insurance policies that you can pay into year after year with the intention of eventually taking loans against the cash value during retirement.

When you take a loan against the policy, it does not count as income.

That means it may provide additional spending money in retirement without increasing your taxable income in the same way a traditional withdrawal might.

If you choose not to repay those loans during your lifetime, the outstanding amount can generally be subtracted from the death benefit.

So, in certain situations, life insurance can become another way of creating retirement income without necessarily increasing your tax bill.

Specific Financial Needs

Life insurance can also address very specific needs, including:

Funeral costs, end-of-life expenses, long-term care, nursing home expenses, and supplemental coverage that fills gaps during different phases of life.

Now, let's break down some of the different types of coverage.

Term Life Insurance

First is **term life insurance**.

Term is probably the most common type, and it's generally the least expensive.

Just like the name suggests, it provides coverage for a set period of time.

For example, if you purchase a 40-year term policy in your 20s, once you reach your 60s and the term ends, the policy expires if you haven't passed away.

There is generally no cash value associated with a term policy.

It serves a very specific purpose: making sure that if you die during your working years, your surviving spouse or beneficiaries have money available to pay off debt, help children through college, and provide financial support until your children are grown and independent.

Term insurance can also be used later in life, but it becomes more expensive as you get older.

Whole Life Insurance

Next, there are **whole life policies**.

Whole life policies have an actual cash value attached to them.

They are more expensive than term insurance, but they are also considered permanent insurance.

Once the policy is issued, it can remain in place for the rest of your life as long as the required premiums are paid.

The premium amount is typically established when the policy is issued and remains fixed.

Universal Life Insurance

Then there is **universal life insurance**.

Universal life is built on a similar foundation to whole life, but it provides additional flexibility.

Depending on the type of universal life policy, the cash value may be connected to an index or another crediting method.

That flexibility may allow you to adjust how much you pay into the policy, change the death benefit, or potentially use the cash value within the account to cover premiums.

It's essentially a more flexible approach to permanent life insurance.

Supplemental Insurance

Next is **supplemental insurance**.

You've probably heard of this type of coverage through companies such as Aflac.

The purpose of supplemental insurance is generally to provide coverage for specific expenses or gaps that your primary insurance may not cover.

For example, if you have a high deductible and something happens that leaves you out of work, supplemental insurance may provide benefits that help cover some of those additional expenses.

There can also be policies designed around things like maternity or other specific needs.

Whether supplemental insurance makes sense really depends on the stage of life you're currently in.

I tend to see it more often with younger individuals, couples, and families.

Accidental Death and Dismemberment Insurance

Another type is **Accidental Death and Dismemberment insurance**, commonly referred to as AD&D.

I see this quite frequently with clients.

Someone might come in and say, "My credit union gives me a \$10,000 policy for free, but for another \$10 a year, they'll increase it to \$100,000."

The important thing to understand with accidental death and dismemberment coverage is that it is designed for very specific circumstances.

It does not function the same way as traditional life insurance. The qualifying event generally needs to meet the policy's definition of accidental death or dismemberment.

You need to understand exactly what circumstances trigger the benefit before putting additional money into one of these policies.

Long-Term Care Insurance

Next is **long-term care insurance**.

With long-term care insurance, you are essentially trying to transfer some of the financial risk associated with potentially needing nursing home or long-term care later in life.

You pay premiums ahead of time so that if you eventually reach a point where you cannot independently perform certain activities, such as bathing, feeding, or dressing yourself, the insurance may help offset the cost of the care you need.

One thing I want to point out is that long-term care insurance often doesn't hit someone's radar until their parents are going through it or they themselves are retired and beginning to consider what could happen later in life.

If you're wondering whether you should explore long-term care insurance, keep in mind that it can become very expensive as you get older.

It's something worth discussing in your 40s or early 50s.

You'll potentially pay premiums for a longer period of time, but the monthly premium may be easier to manage than waiting until your 60s, when the insurance company sees you as being closer to potentially needing care.

That generally means significantly higher premiums.

It's something to keep in mind.

Final Expense or Guaranteed Issue Policies

The last type is **final expense or guaranteed issue insurance**.

Having spent quite a bit of time watching television from a hospital bed, I can't tell you the number of commercials I've seen for final expense insurance.

You'll see someone having a conversation saying, "You mean there's no underwriting? I don't need a physical? It only costs this much per month, and I'll receive \$10,000 in coverage?"

That's generally what guaranteed issue or final expense insurance looks like.

It serves a very specific purpose.

Coverage is often issued primarily based on your age, and it can provide a way to make sure your children or family members don't have to worry about coming up with all of the money needed for your burial or final expenses.

It's something worth considering, particularly if you aren't planning to work directly with a funeral home on a prepaid funeral arrangement.

Determining Your Financial Need

Those are some of the major types of insurance.

Now let's talk about why most people purchase insurance in the first place.

There are financial needs that need to be met, and you are trying to transfer the risk that your family would otherwise have to take on if something happened to you.

Start by establishing the **financial gap**.

Do I need temporary insurance while my children are still at home and I have a mortgage?

Or do I need a permanent solution that will pay a benefit regardless of when I die?

Some people don't like the idea of paying into a term policy and potentially having nothing left when the term ends.

With permanent insurance, you're going to pay more, but there may be a death benefit and cash value available.

The key is assessing your individual financial situation.

One of the best questions you can ask yourself is:

If I died, what financial problems would my death create?

This is especially applicable to retirees, although everyone should consider it.

What immediate debts do I have?

What monthly income would be lost?

For example, consider Social Security benefits for a married couple.

If one spouse dies, the household may lose one of the two Social Security payments it had been receiving. Depending on the situation, that can create a significant reduction in monthly household income.

Many people don't accurately plan for that.

You should also ask:

Do we have an emergency reserve?

Are funds already set aside for burial expenses?

Have we earmarked money to take care of those costs?

And then there's the question of your desired legacy.

I've met many people who refuse to spend money during retirement because they are so concerned about leaving a specific amount to their children.

In some situations, life insurance may provide another strategy.

Assets could potentially generate enough income to help pay life insurance premiums, providing a death benefit for beneficiaries while allowing retirees to spend more of their existing assets during their lifetime.

The important thing is to consider all the factors.

Is there existing insurance?

Are there other components of the financial plan?

Where are the holes?

Is there a pension that will be lost?

Are there other benefits already in place?

It's also a great opportunity to have a larger conversation about where all of your assets are located.

I don't know if anyone is ever 100% prepared for their partner to pass away.

For a single person, you also have to consider whether your children, beneficiaries, trustee, or executor would know what to do.

Would they know where your assets are?

Would they know how to handle everything you left behind?

Is Life Insurance Worth the Cost?

Another question we receive frequently is:

Is it worth it?

Is this a cost I'm willing to pay?

The answer depends entirely on the specific type of insurance you're considering.

For term life, whole life, universal life, and long-term care policies, the cost is generally associated with factors such as:

Your age when the policy is issued, your health, tobacco use, occupation, the length of coverage, and the guarantees provided by the policy.

Occupation can matter. For example, pilots may have a more difficult time obtaining certain life insurance policies.

Duration matters as well, particularly with term insurance.

How many years do you need the coverage?

Does the coverage need to last throughout your lifetime?

And then you need to understand the guarantees.

This is especially important with long-term care and supplemental insurance.

How much of a future nursing home bill will actually be covered by the long-term care policy?

You don't want to put thousands of dollars into a policy over the years only to discover that the benefit on the back end isn't enough and you still need to come up with a substantial amount of money.

Understand exactly what the guarantees look like and how they work.

Underwriting

If you have the ability to go through underwriting, you may receive a better rate by going through that process.

There are many term insurance companies now offering what is sometimes called **instant issue** coverage.

They'll ask several general health questions upfront. If you meet their requirements, they may immediately extend an offer and say, "We're willing to cover you for this amount at this price."

I've seen those policies come back with very reasonable rates, and you may not have to complete a medical exam.

However, if you are willing to go through an exam, you may find that it reduces the amount you pay in premiums.

If that's an option, it's worth exploring.

Ultimately, understand that your premium is the price you are paying to transfer financial risk from yourself to the insurance company.

So, is it worth it?

Whether we're talking about supplemental insurance, term insurance, whole life, universal life, or final expense insurance, it's a case-by-case decision.

You have to decide whether transferring that risk through a premium payment is worth it to you.

When Does Coverage Begin?

When does your coverage actually begin?

Again, it depends on the policy.

With some term policies, once the initial premium has been submitted and the required conditions have been met, coverage may begin.

Whole life is similar in that the premium needs to be received and the contract needs to be issued according to the policy requirements.

Supplemental insurance may have a waiting period.

For example, some policies may state that after the contract begins, you cannot file a claim for 30, 60, 90, or even 120 days.

Long-term care can work similarly.

There may be a qualifying period or **elimination period**.

For example, you may have to self-fund nursing home care for the first 30, 60, 90, or 120 days before benefits begin.

All of that should be spelled out in your contract.

Make sure you understand exactly how your policy works.

You don't want to assume you have coverage for something only to discover later that it didn't apply.

Policy Exclusions

There can also be standard exclusions.

For example, term and whole life policies commonly contain provisions related to suicide during an initial period after the policy is issued. The exact period and provisions can vary by company.

There may also be other exclusions.

Going back to accidental death and dismemberment insurance, the death or injury needs to meet the specific requirements outlined in the AD&D policy for the benefit to apply.

Again, a good question to ask when purchasing insurance is:

Is the death benefit available from day one?

The answer will vary based on the specific terms of your contract.

Cash Value in Permanent Insurance

Earlier, I talked about whole life and universal life being different from term insurance because they can have a cash value component.

Some of you may be familiar with this concept.

There was a very popular movement in the late 1980s and early 1990s where everyday people were getting insurance licenses and selling policies to their friends.

The pitch was often something like:

“You have young children. If you start paying into this whole life policy, there will obviously be a death benefit if something happens. But if not, there will still be an underlying cash value that could eventually help pay for college, weddings, missions, or other expenses.”

I’ve seen many policies come through our office that were purchased under that premise.

That doesn’t mean those policies are necessarily bad. It simply illustrates one of the intentions behind whole life insurance: there is a cash value component.

Term policies do not have cash value.

Cash value generally applies to whole life and universal life policies.

Using Cash Value and Policy Loans

This brings us back to tax strategy planning.

With certain whole life or universal life policies, you may be able to take loans against the cash value of the policy.

There is interest associated with those loans.

You may choose to pay the interest separately, or depending on the policy, you may allow it to accrue.

What you have to be careful about is whether the loan balance could eventually cause the policy to lapse if there isn't enough value remaining in the policy.

The internal cost of insurance can also change as you get older.

From the insurance company's perspective, covering you becomes a greater risk with age.

With whole life, even though your premium may remain fixed, the underlying economics of the policy continue to account for that increasing insurance cost.

Universal life can provide more flexibility.

Depending on the contract, you may be able to change premium payments or adjust the death benefit.

You also need to understand what happens if you take money directly out of the policy's cash value.

There is a cost basis representing what you have paid into the policy, and there may also be growth.

Depending on the type of policy, that growth could come from guaranteed values or a crediting method tied to an index.

If you withdraw gains directly, there may be tax implications.

You don't want unexpected tax consequences when accessing your cash value.

That is one reason policy loans may be considered.

You should compare the cost of a loan with any surrender charges, interest, and the potential reduction to your death benefit.

Which Type Should You Consider?

One option is to consider whole life first.

If you're at the right stage of life, you may be able to find a reasonable balance between the premium cost and the benefits of permanent coverage.

If whole life is outside your price range or doesn't accomplish what you specifically need, you can then consider alternatives, including the lower cost of term insurance or the flexibility of universal life.

Five Questions to Ask Yourself

Here's the checklist I promised at the beginning.

These are five questions you should ask yourself when considering life insurance.

1. What financial problems would my death cause?

Would there be a reduction in Social Security or pension income?

Would my spouse still be able to pay the bills?

Would someone be left without the care or support they need?

Those things need to be considered.

2. What is the financial gap?

What income or assets would be taken off the table if I died?

What expenses would remain?

What specifically needs to be covered?

3. Do I need temporary or permanent insurance?

Am I primarily looking for coverage until my children are grown and the mortgage is paid off?

Or am I looking for a longer-term retirement or estate-planning solution?

4. Is the premium sustainable?

Can I realistically continue paying this premium?

Some term policies have conversion or continuation options after their initial 20- or 30-year term, but the premium can increase substantially.

That may still be worth considering in certain circumstances.

For example, at the end of the term, the policyholder may have received a new diagnosis or developed a health concern.

The premium might suddenly be three, four, or even ten times higher, but depending on the person's prognosis, maintaining the coverage could potentially still make sense.

It's a conversation worth having.

5. Do I understand the fine print?

Go into the policy knowing:

When is it activated?

When can I benefit from it?

Are there waiting periods?

What circumstances are covered?

What circumstances are excluded?

This is especially important with supplemental insurance and long-term care policies.

Also make sure your family knows what coverage exists.

If you have a final expense or funeral policy, your family may still need to pay certain costs upfront.

Insurance benefits may not be paid until the company receives documentation such as a death certificate.

By that time, the funeral home may already require payment.

These are important things to discuss and plan for ahead of time.

Final Thoughts

There is no single life insurance policy that is right for everyone.

Different needs can be addressed through different types of coverage, and ultimately, insurance is about transferring financial risk.

I have to put up my disclosures to keep the attorneys happy.

Other than that, guys, thank you so much for your time.

If you have any questions, you know the drill. Feel free to send them over.

I'm going to run through the upcoming events again in case you missed them at the beginning.

Thanks for spending your afternoon, or simply your time, with me.

I hope you have a great day, and we'll see you soon.

