

# Why You Need Life Insurance

Many people often ask, “Who needs **life insurance**?” Another way to phrase the question might be: “What can life insurance help me accomplish?” When viewed as a planning tool, life insurance can be used to help you achieve a variety of important financial objectives. Let’s look at a few hypothetical examples to see some of the benefits it can provide.

## The Young and the Insured

First, consider a young married couple who have just had their first baby. The mother, an accountant previously employed full-time, has decided to work part-time so she can be with their new child. How would she manage financially if her husband, now the primary means of support in the family, were to die unexpectedly?

Since most couples just starting out in life have not had enough time to accumulate a lot of money, life insurance can provide an “**instant estate**,” that can help assure money will be available in the event of an early death. Based on the specific needs to be met, an instant estate could help provide annual income for the surviving spouse, money to pay the mortgage on a house, and funds to pay for a child’s education.

## Two’s Company

Next, let’s consider two partners who have worked hard to build a successful business. How can they protect their respective business interests should one partner die or wish to sell? The two partners could set up a **buy-sell agreement** funded with life insurance. Simply put, a buy-sell agreement establishes the conditions under which one partner would *buy*, and the other (or the partner’s heirs in the event of death) would *sell*, shares of the business. Because partners typically may have much of their personal wealth tied up in the business, life insurance can provide the means (i.e., the cash) to keep the company away from a forced sale.

## All in the Family

Finally, let’s consider the owner of a family business who wishes to keep it in the family. How could the family business be protected from potentially high estate taxes that might require selling the business to raise the necessary cash? Again, life insurance could be used to help provide cash to pay estate taxes when a significant amount of personal wealth exists in an **illiquid** (meaning not readily convertible to cash) form.

Now, back to the question posed at the outset: “What can life insurance help me accomplish?” The examples above, while described in very basic terms, demonstrate how life insurance relates to specific

*needs*. For most people, needs typically involve attaining and maintaining a comfortable lifestyle, including buying a home, educating children, and securing income for retirement. By identifying your short-term and long-term financial needs, you can develop a plan to help assure that money will be available to meet those objectives.

Keep in mind that there are several different types of life insurance, most of which are subject to application and underwriting approval. Consult your insurance professional for more information on how insurance can help you accomplish *your* goals.

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