



LIFE INSURANCE



Guiding you through life.

SUCCESS STRATEGY

NEEDS ANALYSIS Advanced Markets

Single Parent

Planning For Your Loved Ones

If you are a parent, you know what it means to care for and protect your children. How can you make sure your children will still be protected when you are gone? Life insurance is a way to offer your loved ones protection that continues beyond your lifetime. A comprehensive Needs Analysis can help determine how much life insurance you may need.

Planning Concerns

As a single parent, you face more challenges than most in making sure your family has everything it needs to thrive. What would happen to your family if you pass away? Who would care for your children? Where would the money come from to cover basic needs?

The Solution

A Needs Analysis is simply a way of determining how much money your family would need to meet the necessities of life if you were not there to provide for them. A comprehensive analysis considers salary replacement needs, estate settlement costs, outstanding debt, college funding, and any existing life insurance. After performing the analysis, you may find that you do not have enough cash on hand to meet your family's needs should something happen to you. Life insurance is one of the best ways to provide necessary liquidity for your family in the event of your untimely death.

How Life Insurance Fits

The original purpose served by life insurance is still the most compelling; in the event of the premature death of an income earner, life insurance will provide asset and income protection for surviving family members. Life insurance protection provides cash to your family at when they need it most, regardless of market or economic conditions. This can help a family maintain its economic position after a death.

The Benefits of Life Insurance

The life insurance death benefit provides cash that can serve many different purposes; it can help fund your family's income needs, satisfy debt obligations, or establish an education fund. In addition, liquidity from a death benefit can help meet estate taxes and administrative expenses.

The beneficiary, such as your children, will generally receive life insurance proceeds income tax-free (exceptions may include when a life insurance policy has been transferred for valuable consideration). In addition, the cash values of a life insurance policy grow income tax-deferred and life insurance permits income tax-free loans and withdrawals from the policy, when such transactions are properly structured.

If the policy is owned by an Irrevocable Life Insurance Trust (ILIT), the proceeds will not be included in your taxable estate with proper planning. An ILIT also allows you to control when, and by how much, your beneficiaries access the policy's death benefit. The ILIT can also provide the policy's death benefit and/or cash values protections from the claims of creditors, depending on your state of residence. A properly drafted ILIT can also take advantage of your gift tax exemption amounts so that you may be able to fund your ILIT without paying gift taxes.

Planning For the Future

With proper planning, you can help make sure your family is taken care of and your wishes for the future will be carried out.¹ As a single parent, you will need to ensure that your minor children are taken care of, which includes appointing a guardian to care for your minor children if you cannot. When planning for your children and their future, consider taking the following actions:

I Create a Will. You should create a Will that specifically designates which of your heirs will receive your assets, rather than relying on the state's intestacy statute. Your Will also appoints a guardian for your minor children. If you were recently divorced you should review your Will because many state statutes automatically revoke your Will in the event of divorce.

I Powers of Attorney. You should also create a durable power of attorney, which gives someone the ability to manage your assets in the event of your incapacity.

I Health Care Proxies. As an unmarried adult, there isn't anyone with the automatic legal standing to receive your health information or to make medical decisions on your behalf in the event of your mental or physical incapacity. You should appoint someone to make those decisions for you and to fulfill any end of life decisions.

I Letters of Intent. Letters of intent provide instructions for managing your burial arrangements.

I Meet with Your Attorney. Tailor these action items to address the concerns specific to your family's situation.

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1. Please consult your estate planning attorney with such matters.

The amount of life insurance protection you qualify for will be subject to medical and financial underwriting requirements and may be more (or less) than the amount applied for. Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws, including generation-skipping tax applicable to beneficiaries who are more than one generation removed from you. Failure to do so could result in adverse tax treatment of trust proceeds.

The purchase of life insurance has costs and risks associated with it, including the cost of insurance. Loans and withdrawals will reduce the death benefit, cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59 ½. Cash value available for loans and withdrawals may be more or less than originally invested.

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