

## Life Insurance in Retirement



What role can life insurance play in your retirement plan? Most of us think of life insurance as protection against financial loss should we die prematurely. But when we reach retirement and the kids are all self-sufficient, do we still need life insurance? The answer is maybe. Here are some situations where life insurance may make sense for retirees or those close to retirement.

### Provide a source of retirement income

While life insurance is designed to protect against unexpected economic loss, cash value life insurance also may provide a source of income during retirement. Earnings on the cash value accumulate tax-deferred, and in some instances, cash-value distributions can be received income tax-free. However, loans used to access cash values from a life insurance policy will reduce the policy's cash value and death benefit, could increase the chance that the policy will lapse, and might result in a tax liability if the policy terminates before the death of the insured.

### Help pay for long-term care

Some cash value life insurance policies provide multiple sources of protection. Along with the death benefit and potential cash value, these policies may also provide a long-term care benefit. Often, these policies allow for a portion or all of the death benefit to be "accelerated" if used for the payment of qualifying medical and long-term care expenses.

### Provide for a dependent family member

Sometimes, even in retirement, there are family members who depend on you for financial and/or custodial support. Should you die unexpectedly, life insurance may help provide funds needed to support dependent family members with disabilities.

## Replace income for a surviving spouse

While Social Security provides retirement income for many of us, at the death of a spouse, his or her benefits end, reducing the total benefits available to the surviving spouse. Life insurance can be used to replace the loss of income for the surviving spouse.

## Pay off debt

While past generations often retired with little or no debt, it is not uncommon for today's retirees to leave the workforce while still carrying a mortgage, car loan, and credit card debt. Life insurance can provide the cash to pay off these debts, which is especially beneficial for a surviving spouse.

## Help cover final expenses

Unfortunately, the expense of dying is often overlooked or underestimated. Uninsured medical bills, funeral costs, debts, and estate administration costs can add up. Typically, these expenses are paid in a lump sum, which can reduce savings for surviving spouses and dependent family members. Proceeds from life insurance can be used to help pay for these final expenses, which may help preserve savings for other needs.

### Who may benefit from life insurance in retirement?



**Self-employed  
individuals**



**Couples**



**Business  
owners**

## Leave a legacy

For many approaching retirement, as well as for those already there, a primary concern is having enough money to live comfortably. While conserving savings and keeping track of spending in retirement are important, all too often retirees will forgo spending on themselves in order to fulfill a desire to leave a legacy. Having life insurance can help you feel freer to spend more in retirement because you know you'll be leaving something behind for your loved ones.

Life insurance provides protection for your family's financial future should you die during your working years. However, life insurance may provide other benefits that can be useful during your retirement. Whether life insurance should be part of your retirement plan is best determined based on your individual circumstances and goals. You may want to talk with an insurance or financial professional before making this decision.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely there may be surrender charges and income tax implications. Any guarantees associated with payment of death benefits, income options, or rates of return are based on the financial strength and claims-paying ability of the insurer.

#### IMPORTANT DISCLOSURES

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