Do "empty nesters" need life insurance?

10 reasons to own life insurance after your kids have left home

Life Insurance

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There are several reasons to continue having a life insurance policy even after your children are financially independent.

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1. To meet goals

If your children are in college and/or not completely financially independent, life insurance can help ?finish the job.? Although you may have saved enough for tuition, the kids? living expenses (e.g., room and board, laundry, entertainment/activity costs, etc.) continue, but not Social Security benefit payments for the surviving spouse and children?they stop when the kids leave high school.

2. To support other dependents

If you have parents, disabled adult children, or others who depend on you for financial support, life insurance would continue this support if you die before they do.

3. To cover the Social Security ?blackout period?

A recent study showed that 5 percent of married women ages 51-64 were poor, but 20 percent of widows that age were poor. This happens because many people don?t plan for life insurance to pay income to the surviving spouse after their kids are grown. As noted above, Social Security pays nothing from when the youngest child leaves high school until the surviving spouse applies for benefits based on the deceased spouse?s record (minimum age for eligibility is 60). This interval is called the ?blackout period.?

4. To offset reduced Social Security survivor?s benefits

If a survivor begins receiving Social Security survivor benefits earlier than the full-benefit age (66-67, depending on when the survivor was born), the Social Security benefit amount is permanently reduced. Moreover, because of the deceased?s early death, he or she didn?t get salary increases that might have boosted Social Security benefits further. A life insurance policy can help offset the effect of these ?lost? raises.

5. To offset other ?lost? retirement savings

Also, because of the deceased?s early death, he or she didn?t get salary increases that might have boosted employer pension benefits and/or IRA contributions. A life insurance policy can help offset the effect of these reduced retirement savings.

6. To meet commitments based on two incomes

Most two-earner couples make financial commitments (e.g., home mortgage, loans, leases, etc.) based on their combined income. Life insurance on each earner enables the survivor to continue to meet those commitments.

7. To pay unplanned expenses caused by an early death

Young people don?t generally plan to have savings available to pay for funeral and burial costs, final medical expenses, estate administration and transfer costs, and federal and state income and estate taxes. Life insurance can cover these costs, which can easily reach tens of thousands of dollars.

8. To create a financial ?safety net?

Conventional wisdom says each household should have an ?emergency fund? equal to about half a year?s income, to meet surprise unavoidable outlays. If the household does not already have an emergency fund, the post-death family will be even more financially vulnerable without one. Furthermore, it might also be somewhat more difficult for the survivors to obtain credit. Life insurance can solve this problem.

9. To offset lost income if a spouse dies after beginning Social Security retirement benefits

When a couple retires and begins receiving Social Security retirement benefits, each one receives an income. The earner with the larger pre-retirement income gets a benefit based on that income, and the person with the smaller (or no) pre-retirement income gets either a benefit based on his or her own earnings record or half of the spouse?s Social Security benefit, whichever is greater. When one spouse dies, the larger retirement benefit continues but the second benefit stops?in effect, a 33 percent income reduction. Life insurance can offset this income drop.

10. To provide bequests to heirs and charities

If you want to be sure that your heirs and/or favorite charities get money after your death, you can designate some or all of your life insurance benefits to go to them. This is particularly useful if, without the life insurance, your executor would have to liquidate other assets to meet this objective.

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