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National Association of Insurance Commissioners (NAIC) Life Insurance Considerations for Seniors & Baby Boomers

Now is a good time to re-evaluate your life insurance to determine whether you still need as much coverage as you did when your family was younger and you had a large mortgage on your home. Your circumstances have likely changed.

If you are covered by a group life insurance policy through your job and are planning to retire soon, inquire as to whether you can convert it to an individual policy.

Review your policies to determine whether you can decrease coverage. Consider these factors:

- Is your spouse alive?
- Is your home paid off?
- What other financial assets do you have in addition to life insurance?
- Are your children financially independent?
- Do you have high current debts or anticipate estate taxes that would be a struggle for your survivors to pay off after you die?
- Be sure to update your beneficiaries. For example, has your spouse died or have you remarried?

If you have a cash value life policy, consider whether you can use some of the money built up in the policy to pay for long-term care insurance premiums, if long-term care insurance makes sense for you.

Once you reach age 59 ½, you are eligible to withdraw funds penalty-free from your 401(k) or IRA. At this time you may be considering the purchase of an annuity – a contract with an insurance company that promises to pay a series of income payments at regular intervals in return for premiums you have paid. Explore the different types of annuities available:

- Single premium
- Multiple premium
- Fixed
- Deferred
- Variable

In addition, make sure you examine whether an annuity makes sense for you in terms of your age and income needs.

Ask whether the annuity lets you tap into your principal if you should need it, or whether there are stiff penalty fees. Be sure you understand the fees associated with the annuity, as well as the special tax treatment of annuities, namely that income tax on annuities is deferred until you start receiving the income payments.

If you are strapped for cash and are considering selling your life insurance policy to a third party in return for a sum of money, called a life settlement, carefully consider the impact on your beneficiaries and whether it will affect your eligibility for any other public assistance you may be receiving. Also, before you make any decisions, be sure to check out the legitimacy of the company to which you are considering selling your policy by calling your state insurance department.

If you are considering the purchase of a "Final Expense" policy – a small whole life policy, usually with coverage under \$10,000 and often sold to seniors up to age 85 – be aware that some are sold as guaranteed issue and come with steep charges. Furthermore, they typically don't pay a full benefit in the first two or three years of the policy.