

## INSURANCE

### Let's Talk About Life Insurance

Here's why it's so important to have a family conversation about life insurance and financial planning. It may be easier than you think.



Have you had a conversation with your family about life insurance?

It might not feel like the most natural discussion to have around your dinner table, yet it's one of the most important. While the topic can feel a little heavy, it doesn't have to be. Talking about life insurance and the steps you're taking to protect your family can be reassuring and empowering to everyone in your family.

September is Life Insurance Awareness Month, an ideal time for families to start or continue conversations about money management, financial planning and life insurance. Some of the latest research helps us understand why it's critical to have these conversations in the first place.

In fact, in January 2024, 51% of consumers reported owning life insurance, which is down significantly from 63% in 2011, according to LIMRA's annual Insurance Barometer Study. In addition, 22% of people who own life insurance say they do not have enough coverage.

Another study, commissioned by Prudential, showed that while people with higher household incomes are more likely to have life insurance than those with lower incomes, 15% of those with household incomes of \$100,000 or more do not have any life insurance coverage.

The main reason to have life insurance is because you want your loved ones to receive money after you die to help them financially. But there are many other reasons, too. Let's start by understanding the opportunities to include life insurance as part of your overall financial plans.

### **Opportunity #1: Life insurance is more affordable than you think.**

The LIMRA study showed about 3 of 4 Americans overestimate the true cost of a basic term life insurance policy.

The cost of life insurance for a healthy 30-year-old male is around \$158 per year for a term policy. Term life insurance is a cost-effective way to have the death benefit protection you need for a period of time and can be a perfect starting point.

The truth is you can get more from your life insurance policy than what you pay for it. The value in these types of policies goes beyond what your heirs receive when you die. In addition to the death benefit, permanent life insurance can have the ability to grow cash value, an optional chronic illness benefit and more.

### **Opportunity #2: It's simple to buy life insurance.**

Today's life insurance applications are digital and easy to fill out on your own, or with the help of your financial professional. The underwriting interview is typically simple and quick. Many times, a link to the interview can be sent to you when your application is received. You can complete the interview at your own pace on a laptop, tablet or smartphone.

And if you're healthy, detailed medical questions or screenings may not be necessary. If additional medical information is needed, it can often be obtained electronically. If you've ever been turned down for life insurance for a health condition, it's worth trying again, as more people are insurable than ever before.

### **Opportunity #3: You can access some life insurance benefits while you're still alive.**

You can buy policies that have potential to grow tax-deferred cash value, and you may be able to take tax-free loans and withdrawals\* and use the money any way you choose. You could pay

for things like a wedding, a down payment on a home or supplement your retirement income using cash value in the policy.

There are times when you might choose to use cash value from a life insurance policy as income. The advantage is that you will generally pay no income taxes or penalties on what you withdraw, there are no age requirements, and there are no required minimum distributions (RMDs). You can also use the death benefit for yourself if you're chronically or terminally ill.

#### **Opportunity #4: Life insurance offers financial protection for your loved ones.**

Life insurance can help maintain your family's lifestyle and dreams. If you were to die unexpectedly, the livelihood of your family could be at risk. There are expenses related to housing, food, clothing, college, etc., that will not die with you.

Life insurance can also help reduce estate taxes for you and your beneficiaries. Your estate tax burden may not seem problematic today, but if your assets are positioned well, they will grow, and your future estate could be affected by tax laws.

Another important factor to consider: Life insurance can be a great way to protect and potentially enhance your legacy. It can give your surviving spouse or other dependents income when you're gone. When you die, your surviving spouse or other dependents will likely still need income, and a generally tax-free death benefit\*\* could provide that.

#### **Expanding the conversation**

I'd encourage you to use your conversations about life insurance as a springboard to talk to your family about the broader topic of financial planning, as well.

Here are a few steps to consider when starting these conversations with family members at any age:

**Make it personal.** Ask your family members what they think about saving for a big purchase or how they feel about money and spending. If you have a family vacation or event coming up, consider using that as the focus. Encourage open-ended questions that prompt thoughtful discussions.

You might also share your own experiences with money, including mistakes and successes. How did you learn about the importance of saving? This can help demystify financial topics and show that it's OK to talk about money openly.

**Keep it fun.** There's no reason you can't have a little fun during these conversations. You can use games, apps and books to make learning about finances enjoyable and engaging. For example, some online platforms like SplashLearn offer interactive money games, and financial literacy apps can be helpful.

**Stick with it.** Money doesn't need to be a taboo topic. By starting these conversations early and continuing them throughout life, you can ensure that every family member is informed, prepared and confident about their financial decisions.

When your family members understand what it takes to manage money, they can make more informed decisions. These decisions span everything from what to buy or not to buy all the way through whether they're financially ready to retire. One of the gifts you can give them is the confidence to make these decisions.

I hope Life Insurance Awareness Month encourages you to break the silence and make talking about life insurance, and finances, a normal part of our family members' lives. They'll be better off as a result.

**NYSUT NOTE: Life insurance is absolutely vital, from covering daily basics to taking outstanding debts off your family members' plates. Metropolitan Life Insurance Company's [Term Life Insurance Plan](#), endorsed by the NYSUT Member Benefits Trust, offers term life insurance coverage for you or your spouse/certified domestic partner. At premiums negotiated especially for NYSUT members, qualified applicants can get coverage up to \$1 million.**

\* Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences.

\*\* IRC §101(1)(a) for death benefit proceeds typically received income tax free and IRC §101(g).

*This article was written by and presents the views of our contributing adviser, not the Kiplinger editorial staff. You can check adviser records with the SEC or with FINRA.*

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