



## ESTATE PLANNING FUNDAMENTALS

# Is your life insurance policy right for you and your family?

### Four considerations when evaluating life insurance

A life insurance program, when structured and monitored properly, can play an integral role in your estate plan. If you have loved ones who depend on you for financial support, life insurance can help protect and transfer the wealth you have earned or accumulated over your lifetime. It can also be an effective tool to provide liquidity to cover estate taxes, replace lost income, eliminate debt or provide for specific needs. If you're considering purchasing a new policy—or wondering whether your existing policy meets all of your requirements—considering a few key factors can help you determine the best program for you and your family.

#### 1) The policy's intended purpose

Before purchasing life insurance, it's important to first determine what you want to accomplish with it. Your needs and objectives can vary with your circumstances and may include:

- Having a young family that depends on your income
- Having a blended family, which may include children from different marriages
- Anticipating a large estate tax liability
- Owning a business

#### 2) How much insurance to carry

The amount of coverage you need depends on the objectives you're seeking to address with your life insurance program. Whatever your goals may be, certain considerations can help you determine the appropriate coverage amount, including:

- The purpose of your life insurance and the associated time frame
- The amount of flexibility you may need to skip or change premiums or reduce the death benefit
- The potential tax implications

#### 3) Funding your premiums

Paying your life insurance premiums on time is essential for maintaining your desired coverage. There are several methods—or combinations of methods—available to you for funding your premiums, including:

- Outright, via annual exclusion gifts or the lifetime exemption
- Loans to the owner or to the trust
- Existing trust assets

#### 4) Evaluating your policy over time

Even if you're confident with your current life insurance program, it's important to evaluate your coverage over time to ensure that it continues to meet your needs and goals. As you periodically review your policy, a few considerations can help guide you, including:

- The occurrence of any life changing events such as marriage, divorce or additions to your family
- The possibility of changes to your financial circumstances or the purpose of the policy
- The basic requirements of your current policy

Because policy evaluations can be difficult and confusing, you may wish to consult with an insurance professional to review insurance goals and the efficacy of the program you have in place. **For more information, visit our *Estate Planning Fundamentals* resource page.**

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