

Why Purchase Life Insurance?

We've all heard about the importance of having life insurance, but is it really necessary? Usually, the answer is "yes," but it depends on your specific situation. If you have a family who relies on your income, then it is imperative to have life insurance protection. If you're single and have no major assets to protect, then you may not need coverage.

In the event of your untimely death, your beneficiaries can use funds from a life insurance policy for funeral and burial expenses, probate, estate taxes, day care, and any number of everyday expenses. Funds can be used to pay for your children's education and take care of debts or a mortgage that hasn't been paid off. Life insurance funds can also be added to your spouse's retirement savings.

If your dependents will not require the proceeds from a life insurance policy for these types of expenses, you may wish to name a favorite charity as the beneficiary of your policy.

Whole life insurance can also be used as a source of cash in the event that you need to access the funds during your lifetime. Many types of permanent life insurance build cash value that can be borrowed from or withdrawn at the policyowner's request. Of course, withdrawals or loans that are not repaid will reduce the policy's cash value and death benefit.

When considering what type of insurance to purchase and how much you need, ask yourself what would happen to your family without you and what type of legacy you would like to leave behind. Do you want to ensure that your children's college expenses will be taken care of in your absence? Would you like to leave a sizable donation to your favorite charity? Do you want to ensure that the funds will be sufficient to pay off the mortgage as well as achieve other goals? Life insurance may be able to help you meet these objectives and give you the peace of mind that your family will be taken care of financially.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. 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 are contingent on the financial strength and claims-paying ability of the issuing insurance company.

If you are considering the purchase of life insurance, consult a professional to explore your options.

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