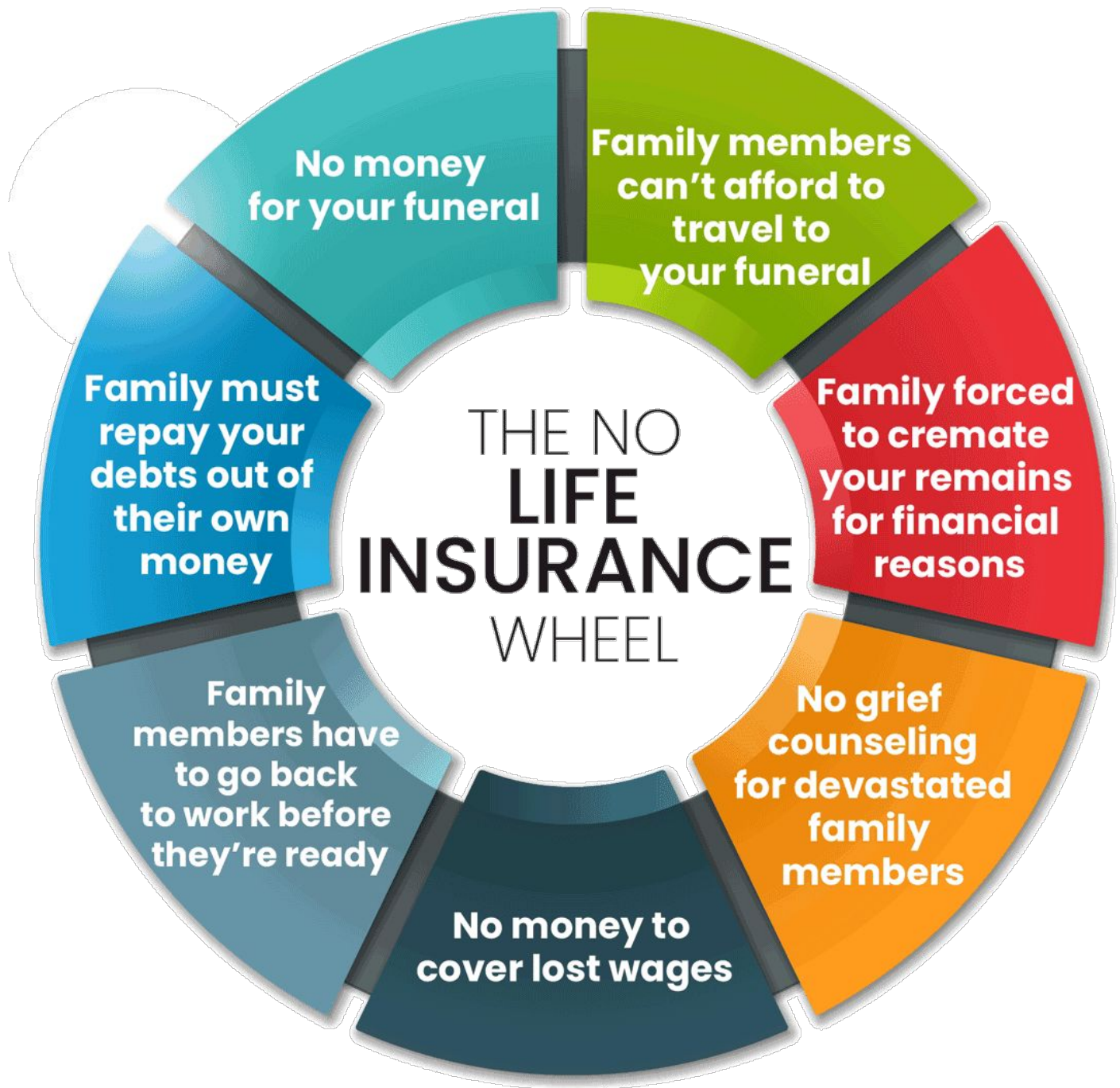


LIFE INSURANCE BUYERS GUIDE



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How to Choose the Right Amount of Life Insurance



The pandemic is spurring more Americans to buy coverage. Here is how to do it affordably.

For many people, the idea of buying life insurance brings to mind the annoying insurance agent Ned Ryerson in the 1993 comedy “Groundhog Day.”

“Do you have life insurance?” Ryerson asks the Bill Murray character, Phil Connors. “Because if you do, you could always use a little more. Am I right or am I right?”

More Americans are realizing that Ned may be right, especially considering the COVID-19 pandemic.

The number of life insurance policies sold jumped 11 percent in the first quarter of 2021, compared with last year, according to LIMRA, a financial services trade association. And nearly one-third of consumers say COVID-19 concerns have made it more likely that they will purchase life insurance coverage in the next 12 months, according to a recent survey by LIMRA and Life Happens, a nonprofit group.

LIFE INSURANCE RATES ARE GOING UP!

All the actuaries with the insurance companies are in the process of re-calculating the mortality tables BASED ON COVID DEATHS AND COVID MORTALITY. We know life insurance rates will go up in the next 12 months, we just don't know how much. GET LIFE INSURANCE FOR YOUR FAMILY WHILE YOU CAN STILL AFFORD IT!



Even so, many Americans who would benefit from coverage still don't have it. Recent industry data (PDF) show just 52 percent of adult Americans report having life insurance, down from 63 percent in 2011.

There are varied reasons for the coverage gap. Life insurance is still not a priority for many families, who are focused on paying immediate bills, such as rent or groceries, as well as struggling to recover from the pandemic.

Many people put off buying a policy because they believe they have sufficient coverage through their employer, says Tom Fredrickson, a fee-only financial planner in Brooklyn.

"The problem is that your employer life insurance benefit is usually limited, perhaps one or two times salary, and you often lose it when you change jobs," Fredrickson says.

So if you have family members who depend on you, take the time now to review your life insurance needs.

Given the complexity of these decisions, it's a good idea to consult with a fee-only financial planner—one who has no direct interest in selling insurance—to help calculate your coverage needs and how to choose a policy.

You can find tips for choosing a financial adviser or a working with a fiduciary. And to help you get started, here are answers to three frequently asked questions about life insurance.

When it comes to figuring out the right amount of life insurance to buy, it's tempting to rely on rules of thumb, such as purchasing a multiple of your annual income—say, 10 to 15 times your salary—as a death benefit. That would at least ensure that your family has resources that should last for a while.

But chances are, online tools or a rule-of-thumb approach won't provide the best answer for your financial situation, says Steve Parrish, Co-Director of the Center for Retirement Income at the American College of Financial Services.

"It's important to use your own numbers and look at the specific obligations and needs your family will have," Parrish says.

If you have young children, for example, and your stay-at-home spouse needs to return to work, you may want to fund additional child-care costs, as well as college educations. You may have mortgage and credit card debt to pay off, additional medical costs, or elderly parents who need financial support.

It makes sense to subtract any emergency savings or current insurance coverage (if you intend to keep it) from your financial needs. But you will also want to increase the coverage amount to account for future inflation and salary increases.



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