

## Expert Insights on Life Insurance

*September is Life Insurance Awareness Month. To help consumers understand the various ways life insurance can fit into a well-rounded financial plan, Lincoln is sharing expert insights and real-world life insurance stories each week.*

*Dianna Parker, a financial planner and National Resource with Sagemark Consulting, kicks off the series with her perspective on the importance of life insurance. Parker has more than 30 years of experience helping business owners, individuals and families secure their financial futures with life insurance.*

### **Recent Lincoln research found that 60% of consumers are thinking differently about their financial future and say life insurance is very important. Where should life insurance fit into an overall financial plan?**

In my 30+ years of experience, I have found that life insurance has a place in almost any comprehensive financial plan. While there may be some exceptions – like a young, single person with no children or those who are financially independent with no financial concerns—just about every situation in between would be appropriate for some type of protection and amount of insurance.

### **The need for life insurance is increasingly resonating with millennials, according to the Lincoln survey. How should consumers be thinking about their life insurance needs in their various phases of life?**

Recent events have heightened the concerns everyone is experiencing around financial matters and more people are realizing that life insurance is an important part of planning for your future. To drill down on one's life insurance needs, you must start with your personal objectives, "What is really important to you?" For example, most people initially acquire life insurance because they want to financially protect someone they love. Starting from that premise, you do the math.

As you progress through life, your coverage needs may change. You may need additional coverage as your family grows. You may want a policy that provides additional flexibility. That's why it's important to regularly review your life insurance coverage with a financial professional to ensure your policy is keeping pace with your needs.

### **Overwhelmingly, survey respondents cited the amount of money beneficiaries receive as the top consideration when purchasing a policy. What are the key considerations when determining the appropriate coverage amount?**

I often find it's surprising to young families what the financial impact would be if one source of income were to disappear. Once you have that realization, you have to evaluate what's important and then measure that importance in dollars. It's just not good enough to "throw a dart" at something this important. You need to carefully consider financial obligations such as mortgages and college tuition, and lifestyle and retirement goals, and much more. I would strongly recommend meeting with a professional who can help you lay out your objectives, take you through a compelling math exercise to determine the appropriate coverage amount, and provide you with a few options to choose from that are consistent with those objectives.

### **For those clients familiar only with the death benefits of life insurance, can you tell us more about the flexibility life insurance offers through 'living benefits'?**

Unquestionably, life insurance has evolved in the 30+ years I've been recommending it as part of a comprehensive financial plan. Today's insurance alternatives are not your grandmother's life insurance policy. While the traditional death benefit value proposition of life insurance remains as important as ever, certain types of policies can also do much more to help you while you're alive. Some of the more common ways people use the 'living benefits' of a policy include funding long-term care needs, supporting a business, and accumulating cash value within the policy that can typically be accessed tax-free for needs such as supplemental retirement income.

### **How should consumers and business owners decide what type of coverage is right for them?**

As you develop your objectives related to life insurance, you should consider whether you need the insurance permanently or just to cover a specific time frame. For instance, if a young couple wants to have enough money to send their children to college, and they don't have the resources currently to do that...then some temporary insurance, or what we call term insurance, is probably appropriate. Those kids aren't going to be in college for the rest of the parents' lives (we hope). We call it term insurance because it is specifically designed to last for a specific term.

Permanent insurance, on the other hand, is intended to be around as long as you are! There are many reasons permanent insurance might be appropriate as part of a comprehensive plan. Some examples include: providing liquidity for the spouse of a business owner who intends to give the business to the children, creating a necessary pool of cash to pay estate or income tax at death, or replacing wealth that parents leave to charity by leaving life insurance to their heirs.

I cannot stress enough the importance of knowing your objectives – both your personal objectives, and if you're a business owner, your business objectives – and taking a comprehensive planning approach.

**Many employers have their open enrollment period for benefits in the fall. How does coverage provided through an employer fit with a policy someone might buy on their own outside the workplace?**

This is so important! Take advantage of those employer provided benefits. Sometimes, just the ease of getting that coverage is a big benefit – especially if you find yourself in a difficult health situation.

Considering how and where you acquire your life insurance is an important decision. If an employer provides life insurance as a benefit, that can be a critical part of an overall financial plan. Maybe it's enough, maybe it's not. Most often, it's temporary/term insurance, and that may be appropriate for some portion, or all, of the family's insurance portfolio.

If you're coming up to an open enrollment period, now might be the best time to reach out to a professional who can take you through the planning process so you can make more informed decisions for you and your family as you elect your benefits.

*Dianna Parker is a registered representative of Lincoln Financial Advisors. Securities are offered through Lincoln Financial Advisors Corp., a broker-dealer and registered investment advisor, member SIPC.*

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