Life FAQs

QUESTION: How much life insurance do I need?

ANSWER: The most common way to determine your life insurance needs is by conducting what's called a Capital Needs Analysis.

Start by evaluating your family's needs. Gather all your personal financial information and estimate what your each of your family members would need to meet current and future financial obligations. Then tally up all of the resources that your surviving family members could draw upon. The difference between their needs and the resources in place to meet those needs is your need for additional life insurance. Your agent can help you decide the right amount for you.

Q: What kind should I buy, term or permanent?

A: Term offers the greatest coverage for the lowest initial premium and is a great solution for people with temporary needs or a limited budget. Permanent insurance may make more sense if you anticipate a need for lifelong protection and like the option of accumulating tax-deferred cash values. It doesn't have to be either one or the other; you can arrange a combination.

Q: What should I consider in naming beneficiaries?

A: Always name a "contingent," or secondary, beneficiary, just in case you outlive your first beneficiary.

Select a specific beneficiary, rather than having the proceeds of your life insurance paid to your estate. One of the great advantages of life insurance is that it can be paid to your family immediately. If it is payable to your estate, however, it will have to go through probate with the rest of your assets.

Be very specific in wording beneficiary designations. Saying "wife of the insured" could result in an ex-spouse getting the proceeds. Naming specific children may exclude those born later. If your child dies before you, do you want the proceeds to go to that child's children? Changing the beneficiary designation is easy, but you have to remember to do it. Due to the various issues involved, an agent can be an excellent source of information to help you properly set up your beneficiary designation.

Q: Who needs it?

A: Just about everybody, but for different reasons:

Married people: When you're married, you share everything, including your financial obligations. Many people believe that they don't need to think about life insurance until they have children. Not true. Even with the surviving spouse's income, would that person be able to pay off credit card balances and car loans, let alone cover the monthly rent and utility bills. If you plan to have children, you'll want to buy life insurance right away. Some companies won't issue a policy to a woman during pregnancy because health complications sometimes arise.

Families: Most families depend on two incomes to make ends meet. If you died suddenly, could your family maintain its standard of living on one income?

Empty Nesters: Just because the kids are through college and the mortgage is paid off doesn't necessarily mean that Social Security and your savings will take care of whatever lies ahead. If you died today, your spouse will still face daily living expenses for 10, 20 or even 30 years. And would you be able to pass on something to your children or grandchildren?

Retirees: Your heirs could be hit with a large estate tax payment after you die, up to 45 percent of your estate. The proceeds of a life insurance policy are payable immediately, allowing heirs to take care of estate taxes, funeral costs, and other debts. And life insurance proceeds are generally income tax free and can be arranged to avoid probate. If your insurance program is properly structured, the proceeds from your life insurance policy won't add to your estate tax liability.

Business owners: Life insurance can help in a number of ways. For instance, a life insurance policy can be structured to fund a "buy-sell" agreement to ensure the remaining business owners have the funds to buy the company interests of a deceased owner at a previously agreed upon price. That way, the owners get the business and the family gets the money. In case of the death of a key employee, "key person insurance" provides the owners with the financial flexibility needed to either hire a replacement or work out an alternative arrangement.

Q: Who needs disability insurance?
A: Anyone who has a job. An interruption of income could have serious financial consequences. Debts still have to be paid and a reasonable standard of living, too. Half of all home foreclosures in the United States and many personal bankruptcies result from disability.

An accident or illness that keeps you out of work can be expensive because not only do you have to provide for your family, but for your medical bills, modifications to your car or home and other needs.

Q: What are the odds of becoming disabled?

A: According to the Commissioners Disability Table, it is far more likely that you'll suffer a disability than be in an auto accident or have a house fire. Here are the chances of suffering a long-term disability of 90 days or more before turning 65: 52 percent for 25-year-olds; 48 percent for 35-year-olds; and 34 percent for 50-year-olds.

Q: Don't I have coverage already?

A: People often believe they will be covered by Social Security, Workers' Compensation, or their savings. This usually isn't true. They programs can supplement income, but not entirely replace it.

Social Security benefits are often difficult to obtain, because you must be completely disabled with no hope of recovery for at least one year, or have a disability expected to be fatal. Workers' Compensation offers limited benefits, but only if you are injured on the job. And even a short-term disability can obliterate savings.

Q: How much does it cost?

A: Disability insurance is priced according to the elimination period, benefit period, age, occupational class, and benefit amount. You would probably pay between 1 and 3 percent of your annual income for a good plan.

Q: What is long-term care insurance?

A: Long-term care helps meet health or personal care needs over an extended period of time – more than 90 days. It usually incorporates non-skilled personal care assistance, such as help performing everyday activities like bathing, dressing, using the toilet, transferring between chair and bed, and eating. It can help you stay in your home longer and stay more independent.

Q: Do I need it?

A: Many people think their health insurance or Medicare will pay for any long-term care services. But health insurance really only pays for doctor and hospital bills. But nursing homes cost between $69,000 and $78,000 a year. Eight hours a day of home health care can cost $43,000 to $70,000 a year.

Q: What is the NYS partnership for long term care?

A: The New York State Partnership for Long-Term Care combines long-term care insurance and Medicaid Extended Coverage. It helps New Yorkers financially prepare for the possibility of nursing home care, home care or assisted living service. The program allows New Yorkers to protect some or all of their assets if their long-term care needs extend beyond the period covered by their private insurance.

Q: What is an annuity?

A: An annuity is a contract between an insurance company and the annuity owner. In exchange for a purchase payment, the insurance company promises to pay a stream of income in the future.

Q: What are the different types of annuities?

A: Annuities come with either fixed or variable payouts, in two different ways:

Immediate Annuities
An immediate annuity begins the income stream within 12 months from the date of issue. You decide when payments will begin and how long to receive income.

Deferred Annuities
A deferred annuity is a long-term investment designed for retirement. You can turn the investment into a guaranteed income stream, deciding when payments begin and how long to receive income.