

## WHAT TYPE OF LIFE INSURANCE IS BEST? AND WHY DOES IT MATTER?

These two questions, along with some complimentary ones about how much is enough and do I really need it if I have all this other stuff in place, are asked frequently. My question back is: **Why do you want to know?**

To answer the question of what type is best, you first have to consider the reasons for wanting the insurance in the first place. This might be something you have thought about; and then again, perhaps it is something that was done as an after-thought or because it was recommended as something you "should" do. Keep in mind that these same questions and issues are relevant to home insurance, disability insurance, long term care insurance and business insurance.

**Why would you want life insurance?** Perhaps to provide finances to look after your family when you die; or to leave a legacy; or to help with a potential tax liability on your death. There are as many different reasons as there are people. You need to have your very own reason.

**What are the financial consequences of someone close to you dying?** Maybe it's easy to see that the income would stop and that needs to be replaced. Or, that bills would be created on death, or business interests dissolved. But what about the emotional strain on the survivors? What if your child died? What if your spouse died and you still needed to carry on earning a living immediately after the funeral? These are issues that need to be considered when evaluating life insurance.

Next, you need to specifically seek out someone who can help you sort out the various options and types. But, only AFTER you are sure of your reasons!! A professional will be able to help you answer the equally personal question of how much you need. If you want to pay off some bills and mortgages, set up an educational plan for your kids and provide an income to support your family for 25 years; that will be a considerably different amount than simply providing enough to offset the tax that becomes due on registered retirement funds if there is no surviving spouse.

The question of what type is best will also be answered when you know your reasons. If you require, say, half a million for each spouse, yet your funds are tight because you have a new home and small children and only one income, then you might consider the cheapest premium in order to get you the coverage you need. If cash flow isn't as much a concern and you are working with an advisor to put a long-term financial plan in place, a plan with a savings component might be best. The answer really depends on your reasons today and your own unique financial, physical and long-term goals.

Remember there are many different types and each meets specific needs. There is not one right amount and type for every person. Your biggest challenge is to really understand why you want the insurance, then to find someone who can help you sort through the various options to make a personal decision. And remember that buying life insurance, like any other part of your financial plan needs to be reviewed periodically with your advisor. Your needs will change and so will the available product offerings to meet your changing needs. This is an extremely personal decision – treat it with the respect it deserves.

If this answer seems vague, then you have missed the point. No one but yourself can make these decisions for you. It is your responsibility to get clear on why you want it; then find the professional who will listen to your why and provide you with options for you to choose between.

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