



Life Insurance Policies & Long-Term Care Considerations

Is your Coverage Still Meeting Your Needs?

Many people do not view life insurance as an essential part of a retirement income plan. Instead, they often see it as a tool designed to protect a family from the premature loss of a breadwinner during their working years. While life insurance certainly serves that purpose, it can also play an important role in a comprehensive retirement strategy. As you move closer to retirement, your financial situation, goals, and priorities often change. As a result, the purpose and amount of life insurance you need may change as well.

If you have relied primarily on life insurance through your employer, it is important to understand that this coverage may end when you retire or separate from service. Even if you own life insurance outside of your employer-sponsored plan, it is still a good idea to review your coverage to determine whether it aligns with your current retirement goals and financial needs.

Check Beneficiaries

Are your beneficiary designations up to date? It is surprisingly common for beneficiaries to remain unchanged for years after a policy is purchased. Major life events such as marriage, divorce, the birth of children, or the death of a beneficiary can significantly affect your wishes, yet these changes are often overlooked. Take time to review both your primary and contingent beneficiaries and make sure they reflect your current intentions and overall estate planning goals.

The Pension Factor

If you have a pension, life insurance may still be an important part of protecting your spouse's financial future. Here is why: many pensions don't have survivorship options for your surviving spouse after you die. If a retiree is relying on their pension that will not continue and pay their spouse after they pass away for a significant amount of their retirement needs, they need to make sure they have enough life insurance or another solution to cover their spouse's needs should they pass away and the pension stop paying out.

Consider the Impact of Inflation

Inflation can gradually erode the purchasing power of a life insurance death benefit. For example, a \$250,000 policy purchased 15 years ago may not provide the same level of financial protection today. Rising costs for healthcare, housing, and everyday living expenses may mean that a larger benefit is needed to accomplish the same goals. Regularly reviewing your coverage can help ensure that your family's future needs remain adequately protected.

Protect Your Income In Retirement

The loss of a spouse in retirement often results in a significant reduction in household income. Although some expenses may decline, the reduction in expenses is often less than the reduction in income. In many cases, one Social Security benefit disappears when the first spouse dies, and pension benefits may also be reduced. Life insurance can provide a source of funds to help replace lost income and allow the surviving spouse to maintain their lifestyle and financial independence throughout retirement.



Review Outstanding Debts

As retirement approaches, it is important to review any remaining debts that could create a financial burden for a surviving spouse. Mortgages, home equity loans, vehicle loans, and other obligations do not necessarily disappear when one spouse passes away. Life insurance can provide liquidity to help eliminate these obligations and reduce financial stress during an already difficult time.

Keep Your Retirement Savings On Track

The years leading up to retirement are often critical for building retirement savings. If one spouse dies during this period, the surviving spouse may face a significant financial shortfall. For some couples, a 10- to 15-year term life insurance policy on each spouse can help protect retirement savings goals during these important years. Term insurance premiums are often relatively affordable, making this a cost-effective way to manage risk. When evaluating term insurance, consider a policy that includes a conversion option. A convertible term policy may allow you to convert to permanent coverage in the future without additional medical underwriting, helping preserve your insurability if your health changes.

Leave a Legacy

For some retirees, life insurance is no longer about income replacement. Instead, it may be used to provide a financial legacy for children, grandchildren, charities, or other causes that are important to them. Life insurance proceeds can provide heirs with immediate liquidity and may help preserve other retirement assets for future generations.

Questions to Ask During Your Review

Before retirement, consider asking:

- Are my beneficiaries current?
- Will my spouse have enough income if I pass away first?
- Will any pension benefits continue to my spouse?
- Have I accounted for inflation?
- Do I still have employer-provided coverage, and what happens when I retire?
- Do I have debts that could burden my family?
- Does my current coverage align with my retirement and legacy goals?

Final Thoughts

Your need for life insurance may change as you approach retirement, but that does not necessarily mean the need disappears. A periodic review can help ensure your coverage remains aligned with your income needs, family goals, retirement strategy, and overall financial plan. Taking the time to evaluate your coverage before retirement can provide greater confidence that both you and your loved ones are prepared for whatever the future may bring.



For more information, contact MCF Advisors today!

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