

April 2008 MoneyMinute – If You Should Die Tomorrow

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With a cheery title like that, I'm surprised (and glad) that you're reading further.

Why would I write about this topic, you may ask?

At the end of February a dear friend's husband was killed while riding his bike. Her cell phone rang, and the caller ID said it was Andrew calling. But the voice on the other end of the phone wasn't Andrew, it was the police officer. After 31 years of marriage, she knew in that instant that her life had changed forever.

So, now I'll ask the question: If you should die tomorrow, what will happen to your loved ones? Do you have the proper life insurance and estate plan in place so that your loved ones do not have to struggle financially as they grieve?

Life Insurance:

Many of us are uncomfortable with the thought of life insurance...but I assure you that the consequences should the unthinkable happen, would be twice as devastating without the financial safety net of insurance.

"But I have life insurance through my employer," you may say. Ah, yes, and it is probably inadequate. What's more, if you leave your employer, you leave your insurance behind. It is important for most of us to own a policy that we buy on our own.

How much insurance and what type? The most efficient life insurance is Term Life. It is pure insurance and relatively inexpensive for the amount of coverage you can buy. Your premium will be fixed for a specific period of time (the term).

General rules of thumb are.....

- The policy amount should be 10 times your gross annual wages
- Level term period should be the number of years until you reach financial independence (or have accumulated enough assets to retire with your desired lifestyle)

Keep in mind that rules of thumb are just a starting point. Parents with young children, for example, often need coverage of more than 10 times income. If your nest egg is further along, then possibly you require less coverage.

Estate Plan: Heath Ledger Story Puts Spotlight on Need to Keep Will Updated

As you probably know, actor Heath Ledger died tragically in January at the age of 28. And, you may have seen news reports that Heath Ledger's will leaves nothing to his

former girlfriend and their young daughter because his daughter was born after he wrote his will and was never updated. Instead, it appears that the will leaves everything to his parents and siblings. And though the Ledger family has stated that Heath's daughter will be taken care of, they may have no legal obligation to do so. In the end, Heath's former girlfriend may have to fight for their daughter's support and inheritance.

This story underscores the need to both make a will and keep it updated. If you care about what happens to your loved ones after you die, you owe it to them to do some estate planning. There are many tools you can use to achieve your estate planning goals, but a will is probably the most vital. Even if you're young or your estate is modest, you should always have a legally valid and up-to-date will. This is especially important if you have minor children because, in many states, your will is the only legal way you can name a guardian for them. A will can also allow you to:

- Name an executor to administer your estate according to your wishes
- Help minimize estate taxes and other costs
- Specify how estate taxes should be paid
- Create a testamentary trust
- Fund a living trust

If you don't have a will, or haven't reviewed your will lately, don't put it off--it's just too important. If you have questions, or need help getting started, talk to a financial professional.

As you know, we don't sell any products including insurance. If you would like, we are happy to provide you with referrals for buying Term Life Insurance or contacting an estate planning attorney.

Please get in touch if you have questions.

Stay safe.

PS: Two years ago I convinced my friend that she needed life insurance for Andrew because he was sole support for the family. The policy was finally issued April 2007. I didn't really ever expect her to use the policy. It was one of those 'just in case' situations.

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