

# Keep Your Life Insurance When You Retire

*Some good reasons to retain it.*

Provided by Ron Richards

**Do you need a life insurance policy in retirement?** One school of thought says no. The kids are grown, and the need to financially insulate the household against the loss of a breadwinner has passed.

If you are thinking about dropping your coverage for either or both of those reasons, you may also want to consider the excellent reasons to retain, obtain, or convert a life insurance policy after you retire. Take these factors into account and consult with your financial professional before making a decision.

**Could you make use of your policy's cash value?** If you have a whole life policy, you might want to utilize that cash in response to certain retirement needs. If you need extended care, for example, you could explore converting the cash in your whole life policy into a new policy with an extended care rider. This might even be doable without tax consequences. If you need additional income, many insurers will let you surrender a whole life policy you have held for some years and arrange an income contract with the cash value. You can access the money, tax free, as long as the amount that is withdrawn is less than the amount paid into the policy. Remember that withdrawing money or taking a loan against a policy's cash value, naturally reduces the policy's death benefit.<sup>1</sup>

**Do you receive a "single life" pension?** Maybe a pension-like income comes your way each month or quarter, from a former employer or through a private income contract with an insurer. If you are married and there is no joint-and-survivor option on your pension, that income stream will dry up if you die before your spouse dies. If you pass away early in your retirement, this could present your spouse with a serious financial dilemma. If your spouse risks finding themselves in such a situation, think about trying to find a life insurance policy with a monthly premium equivalent to the difference in the amount of income your household would get from a joint-and-survivor pension as opposed to a single life pension.<sup>2</sup>

**Will your estate be taxed?** Should the value of your estate end up surpassing federal or state estate tax thresholds, then life insurance proceeds may help pay the resulting taxes and prevent the need for your heirs to liquidate some assets.

**Are you carrying a mortgage?** If you borrowed to purchase your home or have refinanced and are carrying a mortgage, a life insurance policy may make sense. It could potentially relieve your heirs from shouldering some of or all that debt if you die with the mortgage still outstanding.<sup>2</sup>

**Do you have burial insurance?** The death benefit of your life insurance policy could partly or fully pay for the costs linked to your funeral or memorial service. In fact, some people buy small life insurance policies later in life to prepare for this expense.<sup>2</sup>

Alternatively, you may seek to renew or upgrade your existing term coverage for permanent life insurance. Consult an insurance professional you know and trust for insight.

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#### **Citations.**

1 - Nasdaq.com, April 30, 2020

2 - Forbes.com, May 19, 2020