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Special Considerations for Empty Nesters

Now is a good time to re-evaluate your life insurance to determine whether you still need as much coverage as you did when your family was younger and you had a large mortgage on your home. Your circumstances have likely changed.

- If you are covered by a group life insurance policy through your job and are planning to retire soon, inquire as to whether you can convert it to an individual policy.

- Review your policies to determine whether you can decrease coverage. Consider these factors:

  - Is your spouse alive?
  - Is your home paid off?
  - What other financial assets do you have in addition to life insurance?
  - Are your children financially independent?
  - Do you have high current debts or anticipate estate taxes that would be a struggle for your survivors to pay off after you die?

- Be sure to update your beneficiaries. For example, has your spouse died or have you remarried?

- If you have a cash value life policy, consider whether you can use some of the money built up in the policy to pay for long-term care insurance premiums, if long-term care insurance makes sense for you.

- Once you reach age 59 ½, you are eligible to withdraw funds penalty-free from your 401 (k) or IRA. At this time you may be considering the purchase of an annuity – a contract with an insurance company that promises to pay a series of income payments at regular intervals in return for premiums you have paid. Explore the different types of annuities available:

- Single premium
- Multiple premium
- Fixed
- Deferred
- Variable

In addition , make sure you examine whether an annuity makes sense for you in terms of your age and income needs.

Ask whether the annuity lets you tap into your principal if you should need it, or whether there are stiff penalty fees. Be sure you understand the fees associated with the annuity, as well as the special tax treatment of annuities, namely that income tax on annuities is deferred until you start receiving the income payments.

If you are strapped for cash and are considering selling your life insurance policy to a third party in return for a sum of money, called a life settlement, carefully consider the impact on your beneficiaries and whether it will affect your eligibility for any other public assistance you may be receiving. Also, before you make any decisions, be sure to check out the legitimacy of the company to which you are considering selling your policy by calling your state insurance department.

If you are considering the purchase of a "Final Expense" policy – a small whole life policy, usually with coverage under $10,000 and often sold to seniors up to age 85 – be aware that some are sold as guaranteed issue and come with steep charges. Furthermore, they typically don't pay a full benefit in the first two or three years of the policy.

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Annuity Considerations

- Read the fine print. Look carefully at the annuity you are considering. Check the interest rate, find out how quickly the annuity will grow in value and when you can reap its benefits. Some annuity rates can change over time, so make sure that you understand the difference between the guaranteed minimum rate, the current rate and any first-year or so called "bonus" rates. Also make sure you know whether the annuity is tax-deferred, meaning that you will not have to pay taxes until you receive payments from the annuity.

- Try before you buy. Many states have "free look" laws that give you a set number of days — typically 30 to 60 days — to review an annuity contract after you buy it. You can back out of the contract at any time within the "free-look" period; a refund is required to be issued within an allotted time period, as stated in your contract. Take advantage of this review period to make sure you understand what you are purchasing.

- Don't get caught by surrender charges. Withdrawing your money from an annuity before it has matured might subject you to fees, known as surrender charges, as well as other administrative fees and acquisition costs. There could be high penalties if you make a withdrawal prior to the maturation date provided in the policy. Be sure you are aware of these provisions so that you don't inadvertently incur such costs.

- Don't judge a financial professional by title alone. Designations such as "certified senior adviser," "certified retirement financial adviser," "chartered senior financial planner" and "certified financial gerontologist," might seem to imply expertise in providing investment advice to senior citizens. However, such titles don't always guarantee that the financial professional actually has specialized knowledge or education in that area. Ask them what the designations mean to them and what they had to do to earn them. Ask them if they have ever lost or given up a designation and, if so, why.

- Ask for help. Many people have been harmed by annuity scams. If you are concerned that you might have been misled by a fake company or fraudulently sold a misrepresented product, call your state insurance department to get assistance and/or to file a complaint. You can file a complaint directly with your state insurance department via the NAIC's Web site at www.naic.org/cis/fileComplaintMap.do.

- Check the insurance company's credit rating. Through resources such as Standard & Poor's, A.M. Best Co. or Moody's Investors Services, you can see whether the annuity company you are considering has a solid credit rating. An "A+++" or "AAA" rating is a sign of strong financial stability.

- Check the NAIC's Consumer Information Source (CIS). The NAIC provides a database for consumers to research an insurance company's financial information and complaint data. The information in the CIS is supplied voluntarily by state insurance departments. Not all states provide the data, nor are all companies listed within the directory. The CIS is available at www.naic.org/cis/index.do.

- **Stop. Call. Confirm.** All consumers should verify that they are dealing with a licensed agent when purchasing an annuity by following three simple steps. The NAIC recommends: (1) **STOP** before signing anything or writing a check; (2) **CALL** your state insurance department; contact information is available at www.naic.org; (3) **CONFIRM** the agent offering the annuity is legitimate and licensed in your state.

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Considerations for All Life Situations

There are two basic types of life insurance.

The first is term insurance, which covers you for a term of one or more years. It pays a death benefit only if you die in that term. Term insurance generally offers the largest insurance protection for your premium dollar. It generally does not build up cash value, and it may not be renewable at the end of the term or may cost considerably more to continue.

The second type is permanent life insurance, which goes by several names, such as universal life, variable universal life and whole life. Permanent insurance may provide long-term financial protection. These policies include both a death benefit and, in some cases, cash savings. Because of the savings element, premiums tend to be higher.

A number of factors affect life insurance premiums. These include:

- The age you purchase your policy. The older you are, the more expensive the premiums.
- Your overall health. Life insurance companies typically ask you about your medical history, request access to medical records and even obtain blood and urine samples for testing.
- Pre-existing and/or chronic health problems, such as diabetes, heart disease, cancer or sexually transmitted diseases may prevent you from getting life insurance or place you in a high-risk pool at greater cost.
- Poor health habits, such as smoking and excessive drinking. Be aware that insurance companies may look back and consider these behaviors for the past five years.
- Engaging in dangerous hobbies, such as skydiving, skiing or rock climbing
- Your driving record, in terms of accidents, DWI/DUI citations, claims and tickets. The better your driving record, the better rates you'll receive for your life insurance.
- Your geographic area. Life insurance companies have access to regional data that document mortality rates and life expectancy, and they use that data to calculate the rates they offer.

Some of these factors are in your control. Others are a function of your genetics, occupation or location. Either way, it's important for you to be educated on these issues so that you can make the best insurance decisions to fit your life.

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