



COMPASS
PLANNING ASSOCIATES

Fee-Only Financial and Investment Planning

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On Course

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Welcome! Happy New Year! While few people like to talk about life insurance, it's an important facet of your financial planning. This month we're giving you three tips to help you get the most for your money.

Don't be one of the people who put life insurance off. If you need help figuring it all out, remember we're here to help you stay *On Course!*

-Jennifer Lane, CFP

In This Issue

[Life Insurance](#)

[Question & Answer](#)

[What's New](#)

[Monthly Tip](#)

Life Insurance

Life insurance is not meant to be a lottery windfall to your family -- it's meant to let your beneficiaries carry on with their lives once you're gone.

Who

- In addition to insuring yourself, you should carry coverage on anyone you and your family relies on. Important people to consider could be your spouse, partner, parent, child, or business associates.
- Remember that financial contributions can come in a variety of ways: salary to joint family income, time contributed to raising kids or taking care of parents, efforts towards the success of your business.

What

- Buy life insurance that has high benefit versus low cost.
- Plan on purchasing insurance equivalent to 10 to 15 times the salary of the people working. So if both you and your spouse work, you need to insure each of you against the individual salary. If one spouse handles child care at home, at a minimum, take what monthly day care cost would be and multiply by 10 to 15.
- Generally speaking, term insurance will likely give you the best value. If you have children, it's standard to purchase a 20 or 25 year term policy, which should cover you until the children are through college.
- Permanent and annual renewal term (ART) are other life insurance possibilities. Please call our office if you would like more information for your particular situation.



Jennifer's Hint

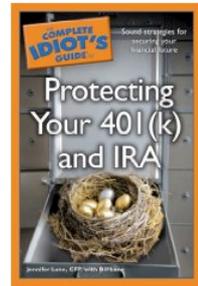
The death benefit of life insurance isn't taxable to your beneficiaries, but if you own your policy yourself, it may be taxable to your estate. Avoid this costly penalty by having your estate planning attorney guide you on how to structure ownership of your policy. You may need to assign ownership to another individual or a trust.

Get more tips in Jennifer's book

- While you may get life insurance where you work, you also need your own policy for in between jobs or if you're out of the work force. You don't want a lapse in coverage.

How

- Make sure you pay for enough death benefit, but don't overspend.
- Compare the total cost of annual renewable and level term over the time you'll need the policy. If you're unsure, buy a longer term and plan to cancel it if the need ends early.
- Buy from a strong insurance company. Your death benefit is only as safe as the strength of the insurance company. Stay with companies who are rated "superior" or "excellent" by Moody's, A.M. Best, Weiss, or Standard and Poor's.
- Life insurance should be a very straightforward financial product. It pays a death benefit if you die during the time the policy exists. Don't buy a product you don't understand.



([click here for link](#))

Helpful Websites

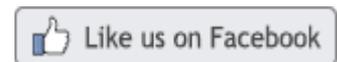
[A.M. Best](#)

[Find Lost Life Insurance](#)

[Moody's](#)

[Standard and Poor's](#)

[Weiss Ratings](#)



Q&A

Q: My parents bought a whole life policy for me when I was young. Should I cancel the policy and just carry term insurance now?

– Megan, Westford

A: Megan, if the policy is old enough and written by a strongly rated company, it may be supporting itself on dividends and you may not need to even pay premiums to keep it active. Ask the company for an in-force illustration to show you how well the dividends are covering the cost. You may want to keep the policy and reduce the amount of other term policies by the amount this policy would pay.

What's New

- **We're moving our Boston office to Three Post Office Square, Suite 602. We'll be set up and running on Monday, February 3! Phone and email remain the same.**
- Jennifer recently answered NECN viewer questions about credit. Click [here](#) to watch the segment on her blog.
- Follow us on Facebook! Visit www.facebook.com/AskJennifer and like us!
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

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