

Life

HOW LIFE INSURANCE FITS INTO YOUR RETIREMENT

Retirement options vs. life insurance

If you have a retirement plan, you need to take a close look at your benefit options long before you plan to retire.

Retirement programs usually offer several options for married couples. Sometimes there can be a better way to protect your retirement income.

A typical retirement program might offer three options to a married employee at retirement.

Option one: Lifetime income for the retiring employee only. (Example: a monthly income of \$1,000.)

Option two: Reduced lifetime income for the retiring employee with a 50% benefit for the life of the spouse if the employee dies. (Example: \$879 per month for the employee and \$440 per month for the surviving spouse.)

Option three: Equal amounts of income for the retiring employee and his/her spouse. (Example: \$800 per month for employee and surviving spouse.)

Each progressive option reduces the amount received. With option two, the surviving spouse faces a lifetime of reduced income if his/her spouse dies during the first years of retirement. With option three, little benefit is realized after enduring a lifetime of reduced benefits if both the retired employee and spouse live a full life and pass away within a few years of each other.

All the options offer no benefits to children and heirs. That's why it's important to consider life insurance.

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Life insurance has several advantages over retirement options. For example, life insurance will pay someone. Even if your spouse dies before you, your heirs will receive the proceeds of the policy. With retirement options, no one is paid if you and your spouse die. A possible solution: Purchase an individual life insurance policy that will pay sufficient cash to provide similar income to the surviving spouse or other heirs. Then take the maximum income pension option.

Consider the following factors when making decisions about your pension:

1. Are you insurable? If you can't buy individual insurance, you may have no choice but to take one of your pension options. If you apply for life insurance, make sure the policy is issued and in place before you make your pension elections.
2. Obtain a printout (estimate) of your projected retirement benefits and your options.
3. Calculate the death benefit value needed for the insurance to match the potential income offered by the pension options. A qualified insurance representative can help you determine how much is needed.
4. Compare the cost of insurance to the reduction in benefit amounts for your options. If the insurance costs are the same or close to the same, it may make sense to use an insurance product.