

**Abstract:** What, if any, role life insurance should play in one's financial plan depends on a variety of factors. This article examines some of those factors, including whether a person has dependents and his or her net worth.

## **Pondering the purchase of a life insurance policy**

What, if any, role life insurance should play in your financial plan depends on a variety of factors. These include whether you're single or married, if you have minor children or other dependents, and your net worth and estate planning goals. There's also the tax impact to consider. Let's look a little more closely at some of the issues behind whether you should buy a policy.

### **Looking at your situation**

Life insurance is appealing because relatively small payments now can produce a proportionately much larger payout at death. But the fact that the return on the investment generally isn't realized until death can also be a downside, depending on your financial situation and goals.

If you have others depending on you financially, your No. 1 priority is likely ensuring that they will continue to be provided for after you're gone. Life insurance can be a useful tool for achieving this goal.

If you're single and have no dependents, life insurance may be less important or even unnecessary. Perhaps you'll want just enough coverage so that your mortgage can be paid off and your home can pass unencumbered to the designated heir(s) — or just enough to pay your funeral expenses.

### **Assessing your finances**

Some people of high net worth may not need life insurance for any of the aforementioned purposes. Nonetheless, it might serve other purposes in their estate plans. For example, a policy can provide liquidity to pay estate taxes without having to sell assets that you want to keep in the family. Or it can be used to equalize inheritances for children who aren't involved in a family business so that family business interests can go only to those active in the business.

While proceeds are generally income-tax-free to the beneficiary, they'll be included in your taxable estate as long as you're the owner. If your estate might exceed your estate tax applicable exemption amount (\$5.49 million for 2017), some or all of the life insurance proceeds could be subject to estate taxes. To avoid this result, consider having someone else own the policy. This can create other tax complications, however, so it's important to consult your tax advisor.

### **Figuring out your needs**

For many people, life insurance is critical to creating financial security for their family or achieving other financial goals. Please contact our firm for specific insight into this important matter.