

## *Tax and Business Alert*

**Abstract:** At one time, life insurance played a much bigger role in estate planning than it does now. That's because life insurance was needed to pay estate tax, which affected more people than it does now. With the federal gift and estate tax exemption now at \$13.61 million for 2024, far fewer families must pay estate tax. Here's how to evaluate your life insurance needs in light of circumstances today.

### **Have you recently reviewed your life insurance needs?**

At one time, life insurance played a much larger part in an estate plan than it does now. Why? Families would often use life insurance payouts to pay estate taxes. But with the federal gift and estate tax exemption at \$13.61 million for 2024, far fewer families currently are affected by estate tax.

However, life insurance remains a powerful tool to help provide for your loved ones in the event of your death. The amount of life insurance that's right for you depends on your personal circumstances, so it's critical to review your life insurance needs regularly in light of changing circumstances.

### **Reasons to reevaluate**

In addition to the estate tax exemption amount, consider reevaluating your insurance coverage if you're:

- Getting married,
- Getting divorced,
- Having children,
- Approaching retirement, or
- Facing health issues.

The right amount of insurance depends on your family's current and expected future income and expenses, as well as the amount of income your family would lose should you pass away. The events listed above can change the equation, so it's a good idea to revisit your life insurance needs as you reach these milestones. For example, if you get married and have kids, your current and future obligations are likely to increase significantly for expenses related to childcare, mortgage, car payments and college tuition.

As you get older, your expenses may go up or down, depending on your circumstances. For example, as your children become financially independent, they'll no longer rely on you for financial support.

On the other hand, health care expenses for you and your spouse may increase. When you retire, you'll no longer have a salary, but you may have new sources of income from retirement plans and Social Security. You may or may not have paid off your mortgage, student loans or other debts. And you may or may not have accumulated sufficient wealth to provide for your family.

## **Periodic reassessment a must**

There are many factors that affect your need for life insurance, and these factors change over time. To make sure you're not over- or underinsured, reassess your insurance needs periodically — and especially when your life circumstances change. We can help you assess whether you have an adequate amount of life insurance coverage.

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