




Advocate Aurora

LIFE INSURANCE AND DISABILITY OPTIONS
THROUGH YOU EMPLOYER OR INDIVIDUALLY?

Life Insurance:

How do I calculate how much I need at different stages of my and my partner's careers?

When is it appropriate to reduce the amount of coverage so that resources can be allocated toward retirement?



How do I calculate how much I need at different stages of my and my partner's careers?

The best way to calculate how much life insurance you is to first look at what you have, and what you want to protect.

A Life Insurance Needs Worksheet can be a helpful tool.

Some things to consider when deciding how long to keep a term policy:

How many years before:

- My youngest child leaves the house
- Mortgage and debt is paid off
- Student loans are paid off
- My spouse and I plan to retire



Life Insurance Needs Worksheet

Get a general sense of how much life insurance you need to protect your family. Before buying life insurance, it makes sense to consult with an insurance professional for a more thorough analysis of your needs. This worksheet assumes you died today.

Income

- Total annual income your family would need if you died today**
What your family needs, before taxes, to maintain its current standard of living (Typically between 60% - 75% of total income) \$ _____
- Annual income your family would receive from other sources**
For example, spouse's earnings or a fixed pension.¹ (Do not include income earned on your assets, as it is addressed later in the calculation) \$ _____
- Income to be replaced**
Subtract line 2 from line 1 \$ _____
- Capital needed for income**
Multiply line 3 by appropriate factor in Table A. Factor _____ \$ _____

Expenses

- Funeral and other final expenses**
Typically the greater of \$15,000 or 4% of your estate \$ _____
- Mortgage and other outstanding debts**
Include mortgage balance, credit card balance, car loans, etc. \$ _____
- Capital needed for college**
(2016-2017 average 4-year cost: Private \$181,480; Public \$80,360²)

	Estimated 4-Year Cost	Appropriate Factor In Table B	NPV
Child 1	_____ x _____	= _____] → \$ _____
Child 2	_____ x _____	= _____	
Child 3	_____ x _____	= _____	

- Total capital required**
Add items 4, 5, 6 and 7 \$ _____

Income

- Savings and investments:** Bank accounts, money market accounts, CDs, stocks, bonds, mutual funds, annuities, etc. \$ _____
- Retirement savings:** IRAs, 401(k)s, SEP plans, SIMPLE IRA plans, Keoghs, pension and profit sharing plans³ \$ _____
- Present amount of life insurance**
Including group insurance as well as insurance purchased on your own \$ _____
- Total income producing assets**
Add lines 9, 10 and 11 \$ _____
- Life insurance needed**
Subtract line 12 from line 8 \$ _____

¹ Social Security benefits, which may be available, have not been factored into this calculation.

² Funds in College Pricing, 2016, The College Board. Costs reflect total charges, which include tuition, fees, room and board.

³ Distributions from most retirement savings plans are subject to ordinary income tax rates.

Table A

Years Income Needed	Factor
10	8.8
15	12.4
20	15.4
25	18.1
30	20.4
35	22.4
40	24.1

Table B

Years Before College	Factor
5	.95
10	.91
15	.86
20	.82

Note: These tables help you determine net present value (NPV), the amount of capital required today to satisfy future income or college cost needs, given an assumed investment return of 6%, inflation of 3% for living costs and 5% for college costs.



Prefer to Use an Online Calculator?

Visit the nonprofit Life Happens' Life Insurance Needs Calculator at www.lifehappens.org/howmuch.



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What is the value of having life insurance outside of my work policy?

- ▶ You only have coverage while employed
 - ▶ Most employer policies are lost if you leave the company due to a career change or if you suffer from a severe illness or disability that prevents you from continuing employment
- ▶ Some employers limit how much they will offer which may not be enough to cover your needs
- ▶ Employee benefits can be changed or discontinued at any time

Eligibility

Life Insurance

Accidental Death & Dismemberment

Who Can Enroll

The following teammates are eligible to enroll in life insurance benefits:

- Full-Time (72-80 hours)
- Part-Time A (60-71 hours)
- Part-Time B (40-59 hours)

You may also elect optional life insurance coverage for:

- Spouse
- Domestic partner
- Children

If you or your covered spouse/partner are over the age of 65, your life insurance coverage amount will be subject to age-based reductions. From the first of the month following your 65th birthday through age 69, your coverage will be reduced to 75% of the amount of coverage in effect prior to age 65. From the first of the month following your 70th birthday, your coverage will be reduced to 50% of the amount of coverage in effect prior to age 65. The same type of age-based reduction will apply to any coverage you have chosen for your spouse/partner.

Questions?

Contact the plan administrator:

G. Murphy and Associates
630-444-2062
8 a.m. - 8 p.m.,
Monday - Friday

Important!

Remember to review and make updates to your beneficiaries.

[See your benefits](#)

Related Links

[Summary Plan Description](#)

The above is a high-level summary of benefits under this plan. View the [Summary Plan Description](#) for details. In the event of a conflict between what is written here and the plan documents, the plan documents will control.

Eligibility

Life Insurance

Accidental Death & Dismemberment

Advocate Health Care and Aurora Health Care pay for your Basic Life Insurance coverage. You're guaranteed coverage as long as you're actively employed with the company. You can also purchase additional life insurance coverage for yourself, as well as dependent life insurance for your spouse/domestic partner and/or children.

Basic Life Insurance

Your basic life insurance pays your beneficiary one times your annual base salary if you die. The minimum benefit is \$30,000, and the maximum benefit is \$1.5 million.

Because the company pays for the basic life coverage, the cost of providing any coverage in excess of \$50,000 is considered Imputed Income by the IRS. This means that the employer-paid amount of coverage over \$50,000 is added to your income and considered taxable for federal, FICA, state, local and/or other payroll tax purposes.

Optional Life Insurance

You can purchase additional life insurance coverage for yourself, your spouse/domestic partner and your children. Premiums for this coverage are taken from your paycheck on an after-tax basis. The cost for coverage is based on your age and the level of coverage you choose.

Evidence of Insurability

If you choose not to purchase optional life insurance when first eligible, you may still choose it later. However, you will have to provide evidence that you're healthy through an Evidence of Insurability (EOI) process managed by Prudential.

Age-Based Coverage Reductions

If you or your covered spouse/partner are over the age of 65, your life insurance coverage amount will be subject to age-based reductions. From the first of the month following your 65th birthday through age 69, your coverage will be reduced to 75% of the amount of coverage in effect prior to age 65. From the first of the month following your 70th birthday, your coverage will be reduced to 50% of the amount of coverage in effect prior to age 65. The same type of age-based reduction will apply to any coverage you have chosen for your spouse/partner.

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Life Insurance

Peace of mind comes with knowing your Advocate Health Care and Aurora Health Care Life Insurance benefit will provide funds to your beneficiary in case of your death. Want even more financial protection? You can purchase optional life and accidental death and dismemberment coverage at discounted rates for you and your family.

More information:

See the *Related Links* on the right for additional plan information.



Eligibility

Life Insurance

Accidental Death & Dismemberment

Accidental death and dismemberment (AD&D) insurance provides a lump-sum payment if you have an accident that results in the loss of your life, a limb, your hearing or your sight.

You can purchase coverage from \$10,000 to \$250,000 in increments of \$10,000. Coverage is also available to your spouse/partner and children.

Related Links

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When do most Physicians reduce the amount of coverage so that resources can be allocated toward retirement?

- ▶ When most of your debt is paid off
- ▶ When you no longer have children in the house that are dependant on your income
- ▶ When you have built up enough other assets to provide a comfortable income stream during retirement
- ▶ When you have your burial expenses covered

Laddering Term Life policies

- ▶ Laddering term policies is when a person will purchase more than term policy at different term periods and benefit amounts to cover both short term and long term needs.
- ▶ An example would be purchasing a \$1,500,000 20 year term policy to cover the short term needs, and an additional \$1,000,000 for long term needs. This provides \$2,500,000 in coverage during the early years of building a family and acquiring assets, but leaves you with \$1,000,000 for income replacement until you reach retirement.

WHAT TO LOOK FOR IN A DISABILITY POLICY?

- ▶ **Own Specialty** Definition of Disability (Extremely Important for “Hands On” Specialties)



INFERIOR DEFINITION OF DISABILITY

“From a Real Insurance Company”

- ▶ You will be considered to be totally disabled if you are unable to perform the principal duties of your occupation **and are not at work in ANY occupation.** Should you be able to perform one or more of the principal duties of your occupation, you can be totally disabled if you:
 - ▶ Devoted over 50% of your time to direct patient care during the 12 months prior to disability; **and**
 - ▶ Submit billing codes demonstrating that more than 50% of your charges resulted from direct patient care or services; **and**
 - ▶ Specialize in a practice for which board certification is available; **and**
 - ▶ Can not perform the principal duties of your medical or dental specialty **and**
 - ▶ **You are not at work in ANY OCCUPATION.**

SUPERIOR DEFINITION OF DISABILITY

“From Insurance Company Physician Specific”

- ▶ You will be totally disabled if, solely due to injury or sickness, you are unable to perform the material and substantial duties of your occupation. As long as you are totally disabled, **benefits will not be reduced** even if you are working in another occupation. You will also be considered totally disabled if you are an MD or DO and more than 50% of your income is from:
- ▶ Performing surgical procedures and, solely because of injury or illness, you can no longer perform surgical procedures-or-Performing Hands-on patient care and, solely because of injury or illness, you can no longer perform hands-on patient care.

WHAT TO LOOK FOR IN A DISABILITY POLICY?

- ▶ **Own Specialty** Definition of Disability (Extremely Important for “Hands On” Specialties)
- ▶ **Residual/Partial Disability** Look for wording such as “loss of time”, “loss of income”, OR “loss of duties



“I can save the money I’ll need for LTC services.”

FACTS:



Long-term care services can be very expensive.



These costs are a huge financial risk to older adults’ retirement dollars.



Those who plan to pay LTC expenses could quickly wipe out their lifetime savings.

The average cost for a one-year stay in a private nursing home room is \$92,376. ¹

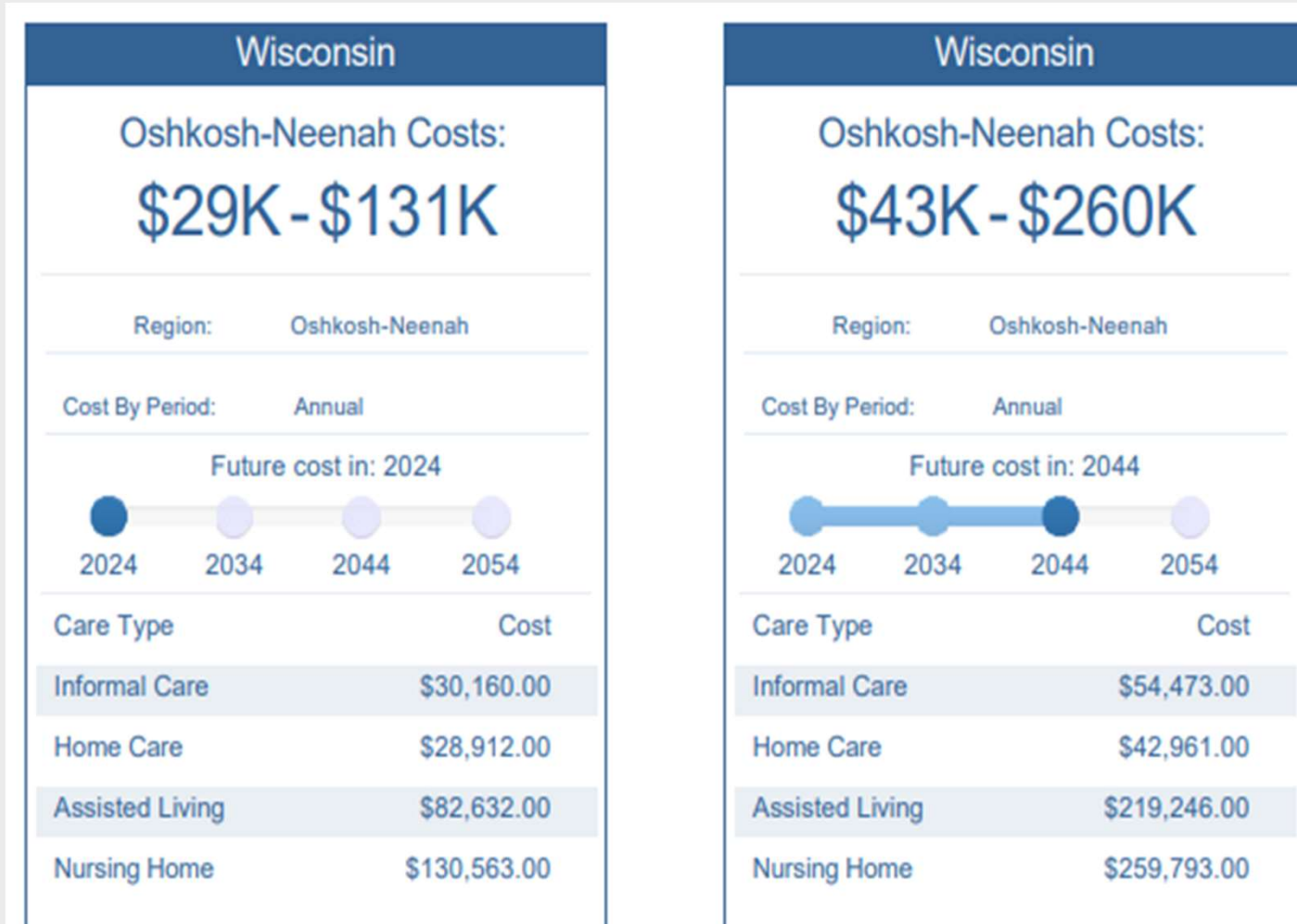
Of all Americans age 65 and up, 1-in-5 will need LTC services for five years **or more**. ²

At today’s average cost, a couple with \$500,000 in assets would deplete their savings in a few years paying for LTC services.

1. “Costs of Care.” LongTermCare.gov. <https://longtermcare.acl.gov/costs-how-to-pay/costs-of-care.html>. Annual private room based on \$7,698 per month x12. Last modified 10/10/2017.

2. “How Much Care Will You Need?” <https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html>. Last modified 10/10/2017.

Cost of Care Oshkosh





Thank you!

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