

## *Financially Speaking*

With Trisha Arndt

### Protect your family before it's too late

I had my first brush with local celebrity recently. Or was it notoriety?

My son had an appointment at the Verona Family Practice Clinic last week for a routine childhood ailment. His normal doctor wasn't available on short notice so I scheduled the appointment with someone we had never seen, trusting that, like always, we would receive good care from the staff there.

I had barely said hello before the doctor enthusiastically exclaimed, "You're the lady from the paper!" Well, I guess I am.

We went on to have a lively conversation about how she had enjoyed one of my recent columns and how it tied into some other things she had been reading. She asked if I found it challenging and I replied honestly that I really enjoy writing the columns but find the process of settling on a topic difficult. I really want to write about things that will interest people and hopefully have some impact on their lives, even if it only answers a question for them, however it's hard for me to know what questions people have.

"Why don't you write about why stay at home spouses should have life insurance?" she asked. "I know a lot of women who think that because they don't work that they don't need to have insurance on themselves."

Hmm, you know, she's absolutely right. There's a reason this lady became a doctor.

When I meet with a new couple to overview their financial situation I can often almost physically see people withdraw when the topic of life insurance comes up. It's an area that, like estate planning, many don't like to think about because it deals very specifically with their own mortality. In the case of insurance there is often an additional layer of resistance because many have either heard of, or had personal experience with, someone pressuring them into buying insurance that they don't fully understand or aren't sure that they need.

One of the first things that people learn when working with me is that my view of life insurance often differs from what they may have seen or heard in the past. Though I am licensed to sell several types of insurance in the State of Wisconsin, including life insurance, I don't subscribe to the theory that a life insurance product should be used to fulfill almost all financial situations. Instead I believe that a person should have cost effective life insurance for their situation with enough of a benefit to protect those that they would be leaving behind. Period.

So what is that magic amount of life insurance that you should have? It truly depends completely on the details of your personal situation. There are lots of calculators out there to try and help you figure it out as well as several general theories such as using a multiple of your annual earnings. Unfortunately I think that many of those calculators can actually cause, or at least exasperate, the problem the good doctor mentioned. If life insurance need is calculated by a multiple of your earnings then how do you determine the need of a stay at home spouse?

A good starting point might be to determine what it would cost the surviving spouse to replace some of what you provide for the family. For example, two young children in full time daycare could easily cost \$2000 a month. Someone to clean the home? Another \$400 a month. Will the survivors have to eat out more or buy pre-made meals? Better add a few hundred dollars a month to the grocery bill. What about laundry, bookkeeping, shuttle service and shopping? You see where I am going with this.

The bottom line is that whether or not your work brings an income into your home you are still making an important contribution to the family. A contribution that would need to be replaced if you are gone and therefore should be protected by life insurance.

To obtain assistance determining what a good amount of insurance for your family is I would strongly suggest that you obtain the help of a qualified financial professional. A good professional should factor in a lot of variables such as your level of debt, your wishes for providing for the education of children, the anticipated costs of final arrangements, the potential impact of estate taxes and the additional income your survivors could need to replace your contribution to the family. They should then be able to help you pick a product that fits your situation and explain it so that you can understand it.

Ultimately you should have life insurance that you feel comfortable with, can understand and feel would provide for your family's needs if you were gone. Your own mortality is probably not something that you like to dwell on but for your family's sake, don't put this important decision off.

If you see me around town please feel free to stop me and ask a question or mention a topic that you would like to see in a future issue. Or feel free to e-mail me at [trisha@wealthstrategies.biz](mailto:trisha@wealthstrategies.biz). Ideally I would love for every column to be an answer to a reader's request so I look forward to hearing more from you.

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