

Life Insurance

Protecting Those You Care About

A solid investment portfolio may not be enough to secure the future for your loved ones in the event of your untimely death. Life insurance may be critical in protecting against financial uncertainty and undue suffering in the event of the unexpected or the inevitable.

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WHY CONSIDER LIFE INSURANCE?

A life insurance policy is a key component to providing long-term financial security for your loved ones. You may already carry insurance to protect your home, car and other valuable possessions against theft, damage or loss, but have you considered how life would change if you were no longer around to protect and provide for your family? Having a life insurance policy can secure funds for income replacement, debt repayment, children's college education, tax planning and many other financial concerns.

DO I REALLY NEED LIFE INSURANCE?

If your loved ones depend on you and their lifestyle and financial security will suffer without you, the answer is yes. It is important to consider what your loved ones would experience without you. Will there be adequate funds to pay the mortgage or other outstanding debt obligations? Have funds been set aside to pay for funeral costs, final medical expenses or estate taxes? Have you considered the family impact of the loss of a non-earning spouse? As an essential component of financial planning, life insurance can help those left behind meet financial obligations, continue living with minimal disruption and carry out your estate planning wishes by:

- **Replacing Short- and Long-Term Lost Income** - Although often thought of in the context of families with young children, the loss of the primary breadwinner can cause disastrous results for anyone who relies on you financially, including the remaining spouse/partner or dependent adults, such as aging parents, siblings or adult children.
- **Paying Final Expenses** - Immediate financial concerns may include funeral and burial costs, probate and other estate administration costs, estate taxes, debts and medical expenses not covered by health insurance.
- **Funding a Readjustment Period** - After your death, your loved ones may be required to move, find a job or, in the case of the loss of a non-earning spouse/caregiver, make arrangements for child care, household care, transportation and other concerns.
- **Leaving a Legacy** - Life insurance can create an inheritance for those you name as beneficiaries, including your loved ones or charitable organizations you'd like to assist.

HOW MUCH COVERAGE DO I NEED?

Everyone's financial circumstances and goals are different and determining the amount of life insurance to purchase can be a difficult task. Your Baird Financial Advisor can assist you by conducting a needs analysis to estimate the amount of insurance you need given your specific financial situation and goals.

WHAT ARE THE TYPES OF POLICIES AVAILABLE?

Permanent Life Insurance

Permanent Life Insurance provides protection for the insured's life, paying a death benefit if the insured dies, typically, prior to age 100. A key difference between term insurance and permanent insurance is the tax-deferred cash accumulation element offered by permanent insurance. Furthermore, when the policy is properly structured, cash values may be accessed on a tax-advantaged basis through the use of withdrawals and/or loans.

Consider this option if you:

- Need long-term protection against life's uncertainties
- Desire the potential for tax-deferred cash accumulation
- Are funding an estate plan
- Desire access to cash value for specific purposes (college education, supplemental retirement income, etc.)¹

Term Life Insurance

Term Life Insurance provides insurance protection for a specified period (or term) and pays a benefit only if the insured dies during that period. This is a popular choice for young families because of the lower initial cost; however it does not have the ability to grow cash which is found in most permanent insurance policies. Many term policies provide conversion privileges permitting you to convert the term insurance to permanent insurance without having to prove evidence of insurability.

Consider this option if you:

- Are concerned about affordability
- Want lower initial premiums, allowing you to buy a higher level of coverage
- Have a specific temporary need to cover (mortgage, car payment, college costs, etc.)
- Don't have a need to build cash value
- Have permanent insurance to cover your other needs or your other insurance needs are temporary

HOW BAIRD CAN HELP

Understanding the important role insurance planning plays in wealth management, your Baird Financial Advisor will work with you to understand your goals and needs, risk tolerance, time horizon, tax considerations, need for liquidity, and other unique circumstances to create a comprehensive financial plan for you and your family. That plan will consider whether life insurance is appropriate as a component of your overall portfolio and recommend the type of insurance that best meets your needs.

While the pain and suffering from the loss of a loved one cannot be eliminated, life insurance may help to alleviate the financial distress that your loved ones may face. To learn more about how insurance can protect your loved ones, contact your Baird Financial Advisor.

¹ Both loans and withdrawals from a permanent life insurance policy may be subject to penalties and fees and, along with any accrued loan interest, will reduce the policy's account value and death benefit. Depending upon the performance of the policy, the account value may be worth more or less than the original amount invested in the policy. Assuming a policy is not a Modified Endowment Contract (MEC), loans are free from current Federal taxation and withdrawals are taxed only to the extent that they exceed the policyowner's basis in the policy. Distributions from MEC's are subject to Federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax, with certain exceptions.

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