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Two examples to why life insurance through work probably isn't enough

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For many of us, our greatest asset, our future income, may be the one most overlooked and under protected "assets" we possess. Let's take a look at two situations that can hopefully be avoided.

Situation One: "I have life insurance through my job. Why do I need anymore?"

Eric Executive is climbing the corporate ladder and lives here in the Farmington Valley. Eric has been married for fifteen years and has three growing children. The largest "asset" for his family is not the new Lexus, or his home or even the brokerage account. No, Eric's future income is by far and away the asset he must judiciously protect to protect his family.

When approached by a financial professional about protecting this "asset," Eric shrugs and says that he is fully covered by this great group life product offered by his employer. Really? Group policies may not offer sufficient coverage.

Group term insurance is often determined by a salary-related formula that may have no bearing on your individual needs for coverage. For example, someone with no children or dependents will be given the same amount of coverage as someone with four dependants like Eric. Since the amount he is eligible for may be limited, group term insurance may not be sufficient to care for his loved ones when they need it the most.

Also consider that not all employers offer a life insurance benefit. If you leave your job for any reason, including retirement, your coverage may cease. You may have to convert the coverage to permanent insurance or lose it entirely. And as you become older, new coverage will become more expensive to get.

Finally, take a moment to review your own group term coverage. Most cover only one to two times your current income. This may be significantly insufficient coverage to allow your family to maintain their current standard of living.

Work with a financial professional who can walk you through a needs' based analysis on your current situation. This will consider any life insurance offered by your employer and also customize a policy to meet all of your own particular needs.

Situation Two: "I'm a stay at home parent. Why do I need life insurance coverage?"

While it would be emotionally heartbreaking to lose a stay-at-home parent to unexpected death, it could also be financially devastating. So often this parent is discounted financially and therefore uninsured. So back to Eric's wife, Sally. Let's assume she is also a professional and has made a choice to stay at home with her children for a certain period of time. Eric and Sally may believe that because Sally does not "work" in the traditional sense, her economic value does not need to be protected. This is a dangerous assumption

The stay at home parent is often the unsung hero. This parent typically holds down the fort with unappreciated "jobs" such as cook, housekeeper, nurse, psychologist, tutor, handyman, chauffer,

and cleaner. The list can go on and on. Yet have you considered what it would cost your family to replace these parenting services in the event of an untimely death? According to salary.com, the average stay-at-home parent in the United States works 96 hours per week - that's 56 hours of overtime. For 2009, the estimated annual compensation value was \$122,732 for a stay-at-home parent.

Again, working with a financial professional who can assess your risk and provide you with a customized plan may be invaluable. So before heading off to barbecues, beaches, and family vacations, there is no better time than the present to make sure you and your family minimizes these important risks. The joys of summer will be forever sweeter knowing you took the proper steps to protect your family's financial future.

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