



Do I Need Life Insurance?

Dear Dr. Per Cap:

When do I need life insurance? Most people I know think it is bad luck to talk about.

Signed,

Just Being Practical

Dear Practical

A person needs life insurance if they have dependents or other financial commitments that could create challenges for heirs should they pass away. Life insurance is a financial product just like a bank account, a credit card, or a car loan. However, life insurance is often overlooked by people who need it most.

While no amount of money can ease the pain of losing a loved one, life insurance can make a huge difference in a family's quality of life should a parent or bread winner pass away. I know this firsthand. My dad died at a young age and he didn't have life insurance. Fortunately my mom had a good job as a nurse, but she still had to sell our house and make a lot of sacrifices to make ends meet.

There are different types of life insurance but for most people a term life policy with a death benefit is the way to go. That's a policy that stays in effect for a specific period of time - often ten, twenty, or thirty years. If the policy holder passes away during the term survivors receive a death benefit payment. Typical death benefits range from \$100,000 to \$500,000 but some people choose even higher amounts.

A good rule of thumb to decide how much life insurance to buy is to multiply your current annual income by the number of years until your dependents are on their own. Let's say you make about \$30,000 a year and your youngest child is two. A twenty year policy will cover your family until the baby is twenty-two-years-old. That comes out to \$600,000. So a \$500,000 life insurance policy is really not that much.

It's also a smart idea to buy life insurance sooner rather than later because it's much more affordable for a person who is young and healthy. Also purchase life insurance from a reputable insurance company that's been around a long time. Watch out for life insurance companies that advertise on late night TV and boast "no medical exam required." A legit life insurance policy will require a basic medical review – bloodwork, weight check, and a health questionnaire.

As a person ages and dependents grow up the need for life insurance might not be as pressing. Often people will only carry life insurance until their kids are grown or they retire. But that's a matter of personal preference.

As you mention, talking about death even as it relates to life insurance is a taboo topic in some Native communities. While this is understandable it creates challenges. Risk is part of life whether we choose to talk about it or not. Better to have life insurance and not need it than to not have life insurance and need it. Think about your family and how they would manage if you were gone. Having a back-up plan is part of being a good provider, a good parent, and a good spouse. Stay safe.

Ask Dr. Per Cap is a program funded by First Nations Development Institute with assistance from the FINRA Investor Education Foundation. For more information, visit www.firstnations.org. To send a question to Dr. Per Cap, email askdrpercap@firstnations.org.