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Marc A. Hebert's 'Money \$ense': Millennials often overlook the importance of life insurance

By Marc A. Hebert Oct 26, 2019 Updated Oct 26, 2019

THERE IS an area of finance that young people in their 20s and 30s need to think about but often overlook.

This is the need for life insurance. Other financial areas are often considered more important, such as paying off student loans. Money is often tight, with mortgages and children's expenses to pay for. Life insurance just isn't on the radar as a priority. If you are in this age group, the question to ask yourself is: Will someone be financially impacted by my death?



While it might be tough to afford, the need for life insurance should be considered as one solution to financial difficulties due to an untimely death. There just might not be enough savings, and life insurance can help fill in the gap. Here are a few reasons why purchasing it can make a lot of sense:

One main reason to have life insurance is debt. Perhaps you have a student loan that your parents co-signed for you. Some loans have provisions that require immediate repayment if you die suddenly, while others are forgiven upon death. Maybe you bought a house with a mortgage that will need to be paid if you should die. These are just some instances of debt that need to be paid at your passing. Having life insurance can help pay these bills and reduce the financial stress of those left behind.

Along with debt, there might be other expenses to pay. Funerals can be costly. They might be anywhere from \$6,000 to \$10,000. There may be unpaid medical bills, such as copays, that need to be addressed. Once again, life insurance can reduce the burden for those left behind.

One other way life insurance could be beneficial is to replace lost income. You might have a relative who is counting on your wages to survive. This could be a parent or sibling. The death benefit paid from life insurance can help deal with this issue.

You might also consider the impact of your death on your spouse and children, if any. If there are young children, additional day care, with its associated cost, might be needed. Maybe the survivor spouse goes back to work and will need help around the house. Your children might go to college in the future. Setting aside some of the life insurance proceeds is a good way to help meet these costs.

Some people will have a group life insurance policy through work. It is important to know how much this is and to determine if it is enough. Usually, these group policies cease once you terminate your employment. This will mean loss of coverage. You might consider buying your own life insurance just to take care of this contingency.

The other point to keep in mind is that the cost of insurance is based on many elements, such as age and health. When the person applying is younger, he or she is often healthier and considered a "lower-risk." This will be reflected in the policy premium. It is worth getting quotes for coverage, just so you are not overestimating the cost.

If you are at a higher risk of getting a certain health issue later in life, purchasing life insurance while young can be important. Later in life, you might even become uninsurable. Purchasing a policy now can save you dollars down the road.

As your life progresses, it is a good idea to evaluate your needs going forward. Life can change in an instant. You might need more or less coverage depending on your unique situation. With careful thought, you can get life insurance that will fit your needs and budget while also providing peace of mind.

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