

Protecting Your Family Members: A Family Coverage Review

If your spouse dies prematurely, what will the impact be on your family earning power and expenses? What steps have you taken to establish a savings program for your children?

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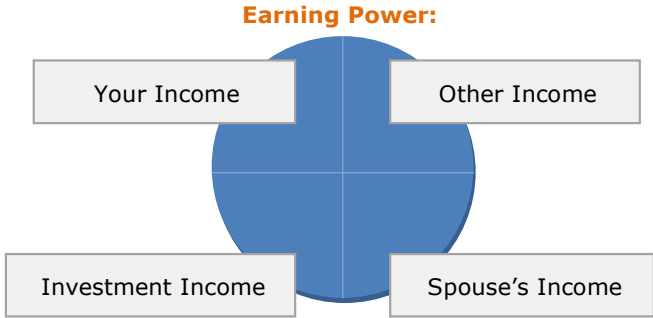
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Your Earning Power

Your earning power – your ability to earn an income – is your most valuable asset.

Few people realize that a 30-year-old couple will earn 3.5 million dollars by age 65 if their total family income averages \$100,000 for their entire careers, without any raises.



How Much Will You Earn in a Lifetime?

Years to Age 65	Your Future Earning Power If Your Family Income Averages:			
	\$50,000	\$100,000	\$250,000	\$500,000
40	\$2,000,000	\$4,000,000	\$10,000,000	\$20,000,000
35	1,750,000	3,500,000	8,750,000	17,500,000
30	1,500,000	3,000,000	7,500,000	15,000,000
25	1,250,000	2,500,000	6,250,000	12,500,000
20	1,000,000	2,000,000	5,000,000	10,000,000
15	750,000	1,500,000	3,750,000	7,500,000
10	500,000	1,000,000	2,500,000	5,000,000
5	250,000	500,000	1,250,000	2,500,000

If something happens to your spouse, what will the impact be on your family earning power? What new expenses will be created? What steps have you taken to establish a savings program for your children?

It's Important to Know...

You need to protect both yourself and your spouse for the future. If you or your spouse should die suddenly, your family income may be reduced dramatically. Even if your family income remains unchanged, certain expenses may increase significantly. For example:

- The cost of raising a child from birth in 2013 to age 18 is projected to be \$284,570 for a middle income family, and that doesn't include college costs. (Source: *Expenditures on Children by Families, 2015*; U.S. Department of Agriculture)
- Child-care costs can be significant and vary widely based on quality, age of the child, type of operator and region. Average prices for child care centers ranged from a low of \$4,670 in Mississippi to a high of \$14,736 in Massachusetts per year for a 4-year-old child, and from a low of \$5,307 in Mississippi to a high of \$20,415 in Massachusetts per year for an infant in 2017. (Source: *Parents and the High Cost of Child Care: 2018 Report*, Child Care Aware)
- In 2020-2021, for students enrolled full time, average annual tuition, fees, and room and board costs are estimated at \$22,180 for a four-year public college and \$50,770 for a four-year private nonprofit college. (Source: *The College Board Trends in College Pricing 2020*)
- If something were to happen to your spouse, you could be facing these costs alone -- for each child!

You need to protect all of your family members against the financial consequences of the unexpected.

- According to data from the National Funeral Directors Association, the cost of a traditional funeral service with burial, including embalming and a casket, ranges from \$12,500 to \$17,500. Cemetery services, including the gravesite, vault or liner and headstone or grave marker, can cost an additional \$3,000 to \$4,000 or more. Cremation can cost considerably less than burial. (Source: *FuneralWise.com*; *www.funeralwise.com*; October 2020).

Important Facts about Social Security Survivor Benefits

Here Are Some Important Facts About Social Security Survivor Benefits:

- The Social Security survivor benefit your family receives is **based on your earnings history at the time of your death and is limited to a maximum family benefit.**
- Your surviving spouse **can receive benefits at any age if she or he takes care of your child who is receiving Social Security benefits and is younger than age 16 or disabled.**

- Your unmarried children **who are younger than age 18** (or up to age 19 if they are attending elementary or secondary school full time) **also can receive benefits. Your children can get benefits at any age if they were disabled before age 22 and remain disabled**
- Your surviving spouse **may be able to receive full benefits at full retirement age.** The full retirement age for survivors is age 66 for people born in 1945-1956 and is gradually increasing to age 67 for people born in 1962 or later. **Reduced widow or widower benefits can be received as early as age 60. If your surviving spouse is disabled, benefits can begin as early as age 50.**
- The period during which your surviving spouse is not eligible to receive survivor benefits is commonly referred to as the **"blackout period."**

Purchasing Life Insurance on Family Members

In Purchasing Life Insurance on Your Family Members:

- You implement a disciplined program for retirement, education and other financial needs that may arise.
- You secure the insurability of your spouse and/or children.
- If cash value life insurance is purchased, you build cash value accumulations available for future financial needs.

If your spouse or a child dies prematurely, you will have funds for:

- Final expenses: hospital/medical, funeral costs, legal fees.
- Child care and housekeeping assistance.
- Replacement of lost income and continuing asset protection.
- Time away from work.
- Handling major expenses, such as college education.

Family Coverage Action Checklist

The Analysis...

- Identify cash needs and increased expenses that will arise at the death of your spouse or a child.
- Analyze income needs and sources at the death of your spouse.
- Determine additional capital required to satisfy these needs.
- Consider the benefits of establishing a life insurance program for your children.

To Implement a Life Insurance Plan...

- Select type and amount of life insurance coverage.
- Establish insurability.
- Arrange for payment of premiums.

You Can Manage Your Finances...

*It's by managing your finances that you write the story of your life.
You are both the author and the story's principal character.
Resolve to perform what you ought.*

-- Benjamin Franklin

Important Information

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