



Every future could use some more financial security.

Single with no kids? No need for life insurance, right?

Let's take a look at common needs that arise after an individual passes, and the impact it can have on the living.

FUNERAL/FINAL EXPENSES

Regardless of ceremony or disposition method, there are costs—perhaps more than you would expect. According to a recent survey¹, the median cost of a funeral is over \$7,500. This does not include “extras” like travel/lodging for loved ones, flowers, etc. As you can imagine, this number can quickly double. Have you considered who pays for all of it?

MEDICAL EXPENSES

Unfortunately, many suffer from lengthy illnesses or extended periods of attempted recovery before they die, and the medical bills can be quite significant. Who pays the bills? Will you need someone to help you pay out of pocket expenses if you were sick? Would you like to be able to repay them?

DEBT

Will all your debt magically be forgiven when you die? While it is true that some loans may be written off as “bad debt,” many lenders will still try to collect from survivors. They will also continue to require payments if a loan was co-signed or guaranteed by another. Take a look at some potential debts and consequences:

College Loans

Federal loans

- Federal student loans in your name are typically “discharged” (no one needs to pay them off);
- “Parent PLUS” loans are also discharged, but surviving parents must pay income taxes on the forgiven amount. An \$80,000 loan may result in a \$20,000 tax bill (if your parents are in a 25% bracket)!

Private student loans

- If there is no co-signer, it will depend on the loan agreement;
- If the loan was co-signed by a parent, they are legally obligated to repay the loan – often immediately or at an accelerated pace.

Credit cards

Generally, credit card balances get paid off out of assets after death, if there are enough assets (as part of the “probate” process). Otherwise:

- If the account is in your name only, the debt dies with you. Regrettably, this does not prevent debt collectors from contacting your family and seeking payment;
- If the account is co-signed, the co-signer inherits the debt and must make payments;
- If you are not an account-holder and just a card-holder (“authorized user”), the account-holder will be liable for the entire amount.

Auto loans and mortgages

If the loan is co-signed:

- Co-signers must continue making payments, even if the car or home is inherited by someone else.
- If co-signer receives the car or house, then that person can sell the car or house and use the proceeds to pay off the loan. However, there may be significant costs associated with the sale, which may result in net expenses to the co-signer.

If the loan is in your name only:

- The estate attempts to pay off the loan and pass the car or house to the appropriate heir (during the probate process);
- If loan is not paid, lender can repossess the car or foreclose on the house.

INSURABILITY

You will likely never be younger and healthier than you are right now. To purchase life insurance later, you may pay increased rates due to age or health issues, or you may not be eligible. Purchasing insurance now can lock in insurance for you and any future family or loved ones.

LEAVING A LEGACY

Do you have a charitable organization that is important to you, or a favorite niece or nephew? You can leave an amount to them as a lump sum, or in a trust, potentially providing an ongoing income source.

SUPPLEMENTAL SAVINGS

Certain forms of life insurance can accumulate tax-deferred cash inside the policy. Later, you can use the funds for retirement, buying a house, a future child’s education, etc. The monthly premiums can provide benefits at your death, and become a kind of forced savings.

LIVING BENEFITS

What happens if you get seriously ill later in life? There are many life insurance policies, which offer to pay benefits while you are living, to cover expenses incurred from things like chronic, critical or terminal illnesses.

For more information, contact your financial professional.

We see the future in you.SM



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¹ National Funeral Directors Association (NFDA), Member General Price List Study, December 2019

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