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# Life Insurance For Retirees? It Depends On The Circumstances

By **Martha M. Hamilton**  
*The Washington Post*

For many workers, life insurance is a way to provide their families with a substitute paycheck. It's a hedge against untimely death and the resulting struggles with mortgages and college tuitions.

So the question arises for retirees: Do I need life insurance?

The answer: "It depends."

"The classic reason people use life insurance during retirement is to pay estate taxes, so they can preserve their estate for their children," said Peg Downey, a certified financial planner in Silver Spring, Md., who is the former chairwoman of the National Association of Personal Financial Advisors.

"The question is, do they feel they need to do that? It's not a rule of thumb, it's what they want to do with their money," she said.

This is especially true if the parent is seeking to help children hold onto something of value when there may not be a lot of cash involved in the inheritance - for example, if a parent wanted to pass along a family business or a vacation property.

Federal estate taxes kick in only for estates that meet a minimum requirement. In 1999, estates of \$625,000 or less can be passed on without triggering the tax, and the amount is scheduled to increase in increments to \$675,000 in 2001.

People who have life insurance designed to keep their heirs from paying taxes should "make sure it's set up properly so when (they) die, it's not part of (the) estate," said Dixie Butler, a certified financial planner with U.S. Advisers Inc. in McLean, Va.

That means the insured person shouldn't own the policy. An alternative is to set up a life insurance trust, although that can make it harder to get access to any cash benefit that has built up in the policy if it were needed during the insured person's lifetime. Butler said that for people with large amounts of insurance, it might be better to have some in a trust and some outside - perhaps held by a spouse.

But estate planning isn't the only reason a retiree or someone nearing retirement might contemplate buying life insurance, said the financial planners and others.

"If anyone is relying on you for income, then you are an ideal candidate for life insurance," said Jack Dolan, spokesman for the American Council of Life Insurance. In some cases, he said, that could be the elderly parents of a retiree or a dependent child.

Another situation in which life insurance might be warranted, said planners, is if a retiree has elected to receive pension benefits that continue only through his or her life rather than taking a smaller payment but also providing for a survivor benefit.

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People who have life insurance only through their employers but think they will want to carry some life insurance after retiring should get that private insurance early.

"If you are trying to buy life insurance at age 65, it's not that easy and it's very expensive," said Butler. She said she shopped for life insurance recently for a 66-year-old client and was confronted by a hefty price increase when the insurance company "found a slight health problem that her doctor didn't think was a problem." The proposed premium went up by about \$2,500 a year, she said.

Butler said she thinks it is wise, in general, to have an individual life insurance policy, rather than relying on employer-provided life insurance. "Most life insurance that you get through work is not portable. When you lose your job, you lose your life insurance," she said. "It's always wise for someone to have life insurance on their own and to consider what they get through their employer as a bonus."

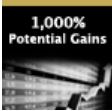
Another issue for retirees is whether to reap some of the benefits of their life insurance investment themselves by selling it to a third party, or viaticum settlement company, said Downey. For instance, someone with a life-threatening illness might be able to sell his or her life insurance policy for a percentage of its face value, using the proceeds for income during the duration of the illness. The buyer then maintains the policy, paying its premiums and getting the death benefit when the insured person dies.

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