Empty Nest? Time to Reevaluate Your Life Insurance

Many parents spend the better part of two decades raising their children and providing for their needs. Once your kids are grown and living independent lives, it may be a good time to reassess your life insurance needs. Even at the "empty nest" stage, there are many financial objectives that life insurance can help you meet through retirement and beyond.

Life insurance can help those outside of your immediate family.

You can choose the beneficiaries of your life insurance policy, and your choices aren't limited to your immediate family members. If, for example, your parents are still alive, you are close with your brother, or you share a business with a partner, life insurance can help you provide for their needs in the event of your death. Remember, too, that you can have more than one beneficiary. If, for instance, you would like to split the death benefit of your policy equally between your spouse, your parents, and your children, you can do so.

A charity can also serve as the beneficiary of your life insurance policy. By designating a charity as a beneficiary, you can provide your executor with an easy way to fulfill your wishes for bequests or charitable giving without having to liquidate other assets from your estate.

Life insurance can provide income.

For as long as you and your spouse are working, you may enjoy periodic salary raises, bonuses, and matched retirement account contributions. You may generate enough income to put money away into investment assets to build wealth. Life insurance can help compensate you for any lost income if your spouse passes away while still employed, helping you maintain a comfortable standard of living after they are gone.

Ask yourself this: Do you have enough income, independent of what is brought in by your spouse, to support yourself if they were to pass away unexpectedly? Does your spouse have any other life insurance policies (e.g., FSGLI, VGLI, or an employer-sponsored plan) for which you are a beneficiary? If so, will the benefit be sufficient to meet your anticipated financial needs? Do you or your spouse participate in the Survivor Benefit Plan? Are you eligible to claim your spouse's Social Security benefits?

If you have money saved up in investment accounts or you have a well-paying job of your own, you may need less life insurance coverage than you did when you had dependent children in the house. That said, a modest policy could still ensure that you don't have to pay anything out of pocket for your spouse's funeral and burial costs. If you rely on your spouse's income for financial support, a more robust policy may be warranted.

Life insurance can mitigate Social Security reductions.

A surviving spouse cannot claim Social Security Survivor Benefits until they reach the age of 60 and apply for their deceased spouse's benefits. If the survivor elects to collect these benefits before reaching their full retirement age (66 or 67 years old, depending on the survivor's birth date), the benefit is permanently reduced. A life insurance policy on both spouses can help the survivor avoid having to collect Social Security early, preventing this reduction in benefits.

Even after you and your spouse have retired and started to collect Social Security, insurance can help offset Social Security imbalances. At retirement, the spouse with the larger pre-retirement income receives benefits based on that income, while the spouse with the smaller income receives benefits based on their own income or half of their spouse's income, whichever is larger. If either spouse passes away, the larger benefit continues but the second benefit payment stops, which can cause a significant reduction in total income. Having a life insurance policy on each spouse ensures that there will be income for the survivor after the couple's Social Security benefits are reduced.

Life insurance can provide an accelerated death benefit.

As life expectancy has increased, so have long-term care needs. A home health aide can cost as much as $60,000 a year, while the annual cost of a nursing home can top $100,000. It can be hard to figure out how to pay for long-term care if you don't have help from a life insurance policy or the VA. However, some life insurance policies offer accelerated death benefits that can be used for this purpose.

Permanent insurance policies, like Navy Mutual's Flagship Whole Life, may provide you with access to your policy benefit while you are still alive to help with costs associated with chronic illness and long-term care. Typically, you have to show that the insured has either been diagnosed with a terminal illness or requires assistance with at least two activities of daily living. If your permanent insurance policy does not offer an accelerated death benefit, you may be able to take a loan from the policy's accumulated cash value – note that this will decrease your death benefit unless the loan is fully repaid before you pass away.

We know that having the life insurance conversation can be hard, but it's important to make sure that your loved ones are protected in the event of your death. To speak with a Navy Mutual representative about your insurance needs at any time, call 800-628-6011.