# Consider insuring family security

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*Money*

Sometimes I like to include questions or comments from readers, and I received a request from a lovely person named Jeanie. She wrote: "We've recently become grandparents (at last!). Concerned that our son does not have insurance of any kind and none on his mortgage."

Most people know that they must have insurance to pay for the initial one-time costs such as a funeral, taxes and their debt (mortgages and loans). Others will go a step further and plan for the ongoing expenses that will continue after their death to provide for their spouse and children. Now, I am not saying that if you are retired you should run out and get insurance. Insurance is something that most would have purchased when they were young, and the premiums were at their lowest. Many retirees use insurance for tax planning to pay for capital gains tax that their estate will owe upon their death, and this is something that should be discussed with your adviser to see if it is worth the cost. Others may get insurance to provide a personal legacy of remembrance when they die, leaving money to a special charity, a hospital, or even an educational or religious organization.

But to answer Jeanie's request for her son; insurance is definitely something you need during your working years when you have consumer debt and a young family. There are many types of insurance. The basics are for income protection, mortgage insurance and survivor benefits. Most people have life and disability insurance with their employer, which is a very inexpensive way to acquire coverage. It is easy to set up an automatic withdrawal from your pay that can provide additional insurance — oftentimes for your spouse and children, as well.

Mortgage insurance also is something you should have. However, it may not be something you want from your financial institution. You see, this is a major source of revenue for the banks, who always will provide mortgage and loan insurance to their customers. The bank insurance is very easy to acquire for ber, the bank is the beneficiary, not you. The insurance is to pay off your outstanding mortgage amount at the time of your death. So, if you took out a mortgage for $400,000 and the premiums were based on this amount, but you died when the mortgage balance was $150,000, the insurance will pay off only the $150,000 outstanding balance.

It always has been the practice of good advisers to talk to their clients about insurance. It would be much better for clients to acquire term insurance, usually at a much lower premium than the bank mortgage/loan insurance and for a fixed guaranteed amount. With term insurance, your coverage never decreases, your premium is fixed and you can select who the beneficiary should be. So, if you get a $400,000 term policy to cover your debt, but you die when your debt is at $150,000, as in the example above, your family receives the full $400,000. They can then pay off the outstanding mortgage and use the balance for something else.

Term insurance is less expensive than permanent life insurance, so it is easy to afford additional coverage for a set period of time during your prime working years. Payments are always locked in and will not change during the term you have chosen. It is a good idea to choose a 20-year term to lock in a lower premium for a longer time frame. You can cancel it at any time, or you can convert your policy to permanent life insurance, usually without having to requalify.

Planning for the future should always include the planning for possible unexpected events. Avoid the temptation to put your plans on autopilot. It is important for you to have a well thought out strategy that provides for the loss of income and protection against the unexpected. This means you must have a will, a power of attorney and insurance.

Don't make foolish decisions to not protect your family and your assets to save a couple of dollars. It is not worth it. Smart financial planning means you should never leave yourself unprotected. It is your responsibility to have your say in your will, to ensure your requests are known and acted on in your power of attorney, and to ensure your family is not left destitute.

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