

# Lifeco Associates, Inc.

Life and Health Insurance Agency

**JASON HOCHSTADT, CFP®,  
AIF®**  
CHIEF EXECUTIVE OFFICER  
jason@lifecoassociates.com

ONE BRIDGE PLAZA NORTH  
SUITE 275  
FORT LEE, NEW JERSEY 07024  
201-482-0288 / 849-4426 PHONE  
201-482-8107 FAX  
www.lifecoassociates.com

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## **Insurance Planning: A Family Affair**

Thanksgiving ushered in the end-of-year Holiday season where getting together with family is commonplace. During such a family oriented time it's worthwhile to review how you and your family may, or may not, be adequately protected in the event of an unforeseen, life-changing event. A risk/reward analysis should be assessed, and continually reviewed, with respect to one's personal and business finances which could be jeopardized in the event of a death, disability, lawsuit, etc. Below contains some relevant information summarizing the need and, unfortunately, problems associated with a lack of insurance planning (any figures referenced are in today's dollars). As a result, the implications and ultimate needs-payoff/value of obtaining one or more types of insurance will become obvious.

### **Life Insurance – statistics as per LIMRA**

- 40% of U.S. households have no life insurance whatsoever.
  - Less than 50% of middle market consumers ages 25 to 64 have individual life insurance.
  - Only 36% of U.S. adults own individual life insurance, down from 59% in 1960.
- Most insured's are significantly underinsured, with the median face amount of group and individual life insurance equal to \$267,000.
  - Notably, over 40% of those with life insurance don't think they have enough.
- 1/3 of Americans believe they would feel the financial impact from the demise of a primary wage earner within 1 month of the wage earner's passing (with 1/2 saying they would feel such an impact within 6 months).
- In the case of term insurance, today's rates are approximately 50% less than they were 20 years ago and 10% less than they were 10 years ago.
- **Those with no life insurance believe it's three times more expensive than it actually is.**
  - **Overall, 80% of Americans overestimate the true cost of life insurance.**
- **The estimated unmet life insurance need in the United States is over \$15 trillion.**

Unlike every other type of insurance, life insurance, if held forever, will pay out a claim since death is inevitable – it's merely a question of when, not if.

### **Disability Insurance – statistics as per The Council for Disability Awareness**

- Roughly 1 in 4 of today's 20 year-olds will become disabled before they retire.
- Over 37 million Americans are classified as disabled, representing 12% of the total population.
  - More than 50% of those disabled are in their primary working years, from 18 to 64.
  - Over 25 million American lives are restricted by the effects of disability.
  - 1 in 8 workers will be disabled for five (5) years or more during their working careers.

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- Approximately 90% of disabilities are caused by illnesses – not accidents.
  - The leading causes of new disability claims are musculoskeletal/connective tissue disorders; cancer; injuries and poisoning; mental disorders and cardiovascular/circulatory disorders.
- The average individual and group disability claim lasts 2.63 and 2.88 years, respectively.
- Typically 2/3 of initial Social Security disability claim applications are denied – with the average approved applicant receiving merely \$1,130/month.
- **Nearly 70% of workers in the private sector have no private long-term disability insurance – with 100 million workers lacking any private disability income insurance.**
- **The leading cause of personal bankruptcies and home foreclosures are medical problems.**

## Long-Term Care Insurance – as per Genworth and Northwestern Mutual Life

- 3/4 of Americans believe that as people live longer, the need for long-term care planning is greater – even though the percentage of people addressing long-term care needs within their retirement plans is drastically lower.
- Even more amazingly, of the 61% of Americans who say they have an idea as to how they will address their long-term care needs, by more than a 2:1 margin these individuals anticipate friends or family will take care of them relative to owning long-term care insurance.
- Experienced family/friend caregivers cite having less time for themselves, family and friends, as well as needing to make changes to their own budgets and retirement plans, as the most common consequences of serving as caregivers.
- 25% of adults would prefer to go to the dentist than talk about their long-term care needs.
- In NJ, the median annual private room rate in a nursing facility is \$118,625 – even higher (\$125,925) in Northern NJ.
  - For someone needing 24/7 care and wanting to remain at home, this would require \$184,000 annually based upon the median hourly rate for a home health aide.
- **The youngest claimant with Genworth (the carrier with the largest market share) is 27 years old. The most expensive ongoing claim is \$1.3 million. 15% of their claims last more than 5 years – with 50% of all claims lasting more than 1 year.**
- **70% of adults over 65 will require long-term care services.**

## Other Types of Insurance

- **Medical (Health Insurance):** According to Fidelity, the average 65 year old couple retiring today would need \$220,000 to cover their medical expenses throughout retirement.
  - This does not include long-term care or dental expenditures (e.g. for a couple with Original Medicare, this would include all annual premiums for Medicare Part B, Medicare Supplement insurance (“Medigap”), Medicare Part D Prescription Drug coverage along with all out-of-pocket expenses).
- **Property & Casualty (“P&C”) Insurance:** The P&C arena covers a diverse range of exposures, from home, auto, liability, umbrella, valuable articles, etc. According to Ace Private Risk Services in a survey of high net worth households (who one would expect to be more likely to maintain appropriate types and levels of coverage):
  - Incredulously, over 20% had no umbrella insurance policy despite how relatively inexpensive this insurance is.

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- While more than 50% employed domestic staff, nearly 1/3 did not maintain employment practices liability coverage (with another 8% not knowing whether or not they did).
- 62% served as a volunteer board member of trustee for a not-for-profit organization, yet 35% did not have directors & officers insurance to protect them (and another 10% were unsure).

**As indicated above, individuals and families are exposed to a variety of serious risks throughout their lives which can often best be mitigated through insurance.** If such individuals also happen to be business owners, the risks are multiplied further (e.g. the disability of a business owner not only requires him to be able to fund his family's personal living expenses, but he now must be able to pay all business expenses including loan repayments, general, selling and administrative costs, etc.). Whether it's the time involved, ongoing costs or any number of reasons, often times we get preoccupied with other, more pressing matters and kick the proverbial can down the road. This is unfortunate because the stakes are high and could potentially impact those we care about the most – our loved ones, business partners and employees. Proactive, rather than reactive, planning is always preferable and leads to more desired outcomes. Since nothing in life or business is static, it is critical that existing insurance or new potential insurance be reviewed on a regular basis.

One of the advantages of **LIFECO ASSOCIATES, INC.** is the fact that we are an independent insurance agency that serves in a consultative role to our clients. **LIFECO has access to countless high quality insurance carriers and works with different general agencies in order to obtain the desired coverage at the best possible underwriting rating and least expensive premium.** Through extensive pre-underwriting we have the ability to take advantage of underwriting niches and, where possible, shop cases on an informal basis. By viewing insurance as part of the bigger picture of one's financial and estate planning, we are able to assist clients on a range of diverse matters. For example, we've designed different insurance programs as part of pre-nuptial agreements for clients that have been successful due to an outside-the-box approach. We've helped clients navigate the choppy waters of Medicare and related coverages based upon their unique circumstances. We also work with specialists and clients to ensure they have the most appropriate types of P&C coverage. As a business owner we are intimate with the types of insurance most businesses should consider as well as potential ways to save and receive underwriting concessions depending upon the demographics involved. In this manner **LIFECO**, as well as its related entity, **JEDI MANAGEMENT, INC.**, has the ability to serve in a capacity similar to an independent Board of Director. Remember, the actual policies and specific coverages, riders, etc., while critically important and constantly evolving, are secondary to a comprehensive needs-analysis in order to determine how best to plan for, and effectuate, one or more goals.

As we close in on 2015 we can't think of a better time than now to contact **LIFECO** for a review of your existing personal and/or business financial circumstances and corresponding insurance coverage(s). After all, you can't afford not to.

## **IRS CIRCULAR DISCLOSURE**

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