

Key Conversations

Securing Your Family's Future

You have worked hard to grow and accumulate your wealth. But as your wealth increases, protecting your assets can be just as challenging. The potential risks to the preservation of your wealth are numerous. An unexpected death, health issue, accident or disability can put your family's financial security at risk.

Identifying the potential risks to your family's wealth and creating a plan to address these risks is critical. A carefully constructed risk management strategy may provide you with the comfort of knowing your family will have protection in place for the future.

An effective risk management strategy geared toward income replacement (i.e., your salary is no longer available to contribute to your household) often involves life and/or disability insurance. At the most basic level, the amount of coverage needed can be estimated by answering two simple questions: How much do I need? And how much do I have?

Life Insurance

Your life insurance needs are typically based on several factors, such as whether you are married or single, the size of your family, your career stage, and your current lifestyle and goals. For example, when you are at the peak of your career, you may have children and are likely focused on providing them with a solid education. You also may not have had enough time to build up your assets to ensure your

survivors can maintain a certain standard of living without your income contribution. For a situation such as this, we refer back to the simple questions mentioned above.

How much do I need?

- What immediate expenses would your family face if you die unexpectedly (i.e., funeral expenses, mortgage pay off)?
- What living expenses would be needed for a surviving spouse and/or dependents to maintain a certain standard of living?
- Will my surviving spouse need to pay for daycare? Do I want to have enough education funds set aside so my child can go to private schools and/or college?
- Are there any other special goals you want to reach, such as gifts to charities or leaving an inheritance to your heirs?

How much do I have?

- Will my surviving spouse continue to work or re-enter the workforce? What spousal income would likely be there to meet my family's needs?
- Will there be any survivor pension benefits available?

Key Takeaways



Identifying the potential risks to your family's wealth and creating a risk management strategy to address these risks is critical.



An effective risk management strategy geared toward income replacement often involves life and/or disability insurance.



A properly designed risk management strategy may be used to help you protect and preserve your wealth, and provide you with the comfort of knowing your family will have protection in place for the future.

- How much do I have in investments, whether it is in the form of non-retirement accounts or retirement accounts?
- What can I expect from Social Security survivor benefits?
- What is my current level of insurance coverage?

Once these questions have been answered and the answers compared, if what you need is greater than what you have, you have a shortfall that could be eliminated with the right amount of insurance. Keep in mind, it is not always this simple, and other areas need to be considered, too, such as reviewing the first set of answers and scaling back. Other factors also need to be incorporated in your comparison, such as inflation and growth rates on investment assets.

Disability Insurance

Similar to life insurance, disability insurance depends on a number of variables to consider in the event you could no longer work and receive your salary. For a single person, do you have other means of support? If you're married, can you rely on your spouse's income to pay ALL of the bills? When reviewing your risk management strategy as it pertains to disability coverage, the same two questions should be asked.

How much do I need?

- What are my living expenses, such as food, house maintenance or transportation?
- Do I need to make mortgage payments?
- Will I have significant medical expenses? While some employees have access to COBRA through their employers, it is available only for 18 months and the employee has to pay the full premium.
- If I have young children, could there be day care costs? Future education costs to consider?

How much do I have?

- Do I have disability coverage, either through my employer or an individual policy with an insurance carrier? (Please note that some benefits are taxable income and some are not. If your employer pays your premium but does NOT include it in your compensation, then any benefits received later are taxable income.)*
- Would I qualify for any Social Security Disability Insurance (SSDI)?
- What other assets could I use? Remember that these assets have to last throughout your lifetime and for other goals you may have, such as educating your children.

The answers to these questions may help you understand if you have enough coverage or need to address the disability portion of your risk management strategy.

Additionally, it's also important to note that what is needed now may not be what is needed 10 years from now, so it's important to review and evaluate your risk management strategy on a regular basis. After all, insurance policies are just as dynamic as any other financial instrument. Changes in the stock market, interest rates, mortality, and financial ratings can impact your coverage. Also, if your situation changes, an adjustment to your strategy may be warranted. Each individual's situation is unique and requires personalized planning.

A properly designed risk management strategy may help you protect and preserve the wealth you have worked so hard to earn, and provide you with the comfort of knowing your family will have protection in place for the future.

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