

Insurance Needs Assessment: For Empty Nesters and Retirees

With the children now out of the house, financial priorities become more focused on preparing for retirement. At this stage, you may very likely be at the height of your earning power and fast approaching peak savings as you lay the groundwork for retirement. During this final leg to retirement—and throughout your retirement period—wealth protection is critical.

The preservation of your assets may not be solely a function of your investment strategy, but may include a comprehensive insurance approach to protect you against an array of financial risks, most especially health care.

In addition to wealth protection, you can also now be seriously contemplating a number of important estate and legacy objectives.

Home

Even though your mortgage may be paid off—and thus released of the lender's requirement to have homeowners insurance—it remains important to consider coverage against property loss and exposure to personal liability. Now is an ideal time to review your policy as the cost of replacing your home and the belongings contained therein may have grown over the years.

Also, consider an umbrella policy, which is designed to help protect against the financial risk of personal liability.

Health

There are several key health insurance issues facing empty nesters and retirees.

If you retire prior to age 65 when Medicare coverage is set to begin, you will need coverage to bridge the gap between when you retire and when you turn 65. If your spouse continues to work, you may want to consider getting yourself added to his or her plan, though you may need to wait until the employer's annual enrollment period.

Alternatively, you also may purchase coverage through a private insurer or through HealthCare.gov (or your state's program, if available).

Once you enroll in Medicare, you should consider purchasing Part D of Medicare, the Medicare Prescription Drug Plan, which can help you save money on prescriptions.

Additionally, you may want to consider other Medigap insurance, which is designed to pay for medical care not covered by Medicare. Medigap plans are bought through private insurance companies and best purchased within the first six months of turning age 65 in an effort to get the best price and the most choices.

Disability

This coverage may continue until you retire. When you stop working, you should consider canceling your disability insurance as the need for it has expired.

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Life

The financial obligations that drove your life insurance needs while you were raising a family may have evaporated. However, you may find new needs arising from estate issues, such as liquidity, creating a legacy, etc.

Several factors will affect the cost and availability of life insurance, including age, health and the type and amount of insurance purchased. Life insurance policies have expenses, including mortality and other charges. If a policy is surrendered prematurely, the policyholder also may pay surrender charges and have income tax implications. You should consider determining whether you are insurable before implementing a strategy involving life insurance. Any guarantees associated with a policy are dependent on the ability of the issuing insurance company to continue making claim payments.

Extended Care

For some, extended care insurance is a priority in this stage of life. With the expense of children in the rearview mirror, you can now turn your focus to buying protection against potentially the most significant health-care expense you are likely to face in retirement.

Designed to pay for chronic, long-lasting illnesses and regular care, whether in-home or at a nursing home, extended care insurance coverage is critically important since most of these costs are not covered by Medicare.

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