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# When do senior citizens not need life insurance?

By Aaron Crowe

For retirees who no longer work, having life insurance that was meant to replace their income if they died can be a waste of money. If they don't have a salary to replace, the reasoning goes, why keep hanging on to your life insurance?

"Life insurance is very attractive emotionally," says Tony Steuer, a life insurance author and consultant in Alameda, Calif.

Estate planning seminars geared toward selling insurance play on those emotions, even when a senior with a good retirement plan may not need life insurance, he says.

However, there are situations when seniors should have life insurance, experts say. One of the top reasons: Life insurance death benefits generally are tax-free, while payouts from retirement plans are taxable. "People start looking at the tax benefits, and that's where the insurance companies are pushing," Steuer says.

Here are six instances when seniors most likely do not need life insurance.

**1. The funeral is covered.**

If you're worried about burdening your spouse or family members with **this** cost and you already have enough money to pay for it, life insurance isn't needed.

**2. You've got $100,000 set aside.**

Other **than** a funeral, other costs pile up after someone has died, such as medical bills and taxes. Diana Scheel, a financial adviser with Sapient Financial Group in San Antonio, recommends that her elderly clients squirrel away $50,000 to $100,000 for such expenses so they won't need life insurance. Having assets such as a retirement fund, stock portfolio or hefty savings account can make a life insurance policy unnecessary. A life insurance policy can be partially cashed out while retaining some of the death benefits.

**3. The kids are gone.**

If your children have moved out of the house and you don't have to support them anymore, you don't need to pay life insurance premiums, says Kevin Lynch, a professor of insurance at The American College in Pennsylvania. Consider getting rid of the coverage if supporting your kids is no longer a priority, he says. You can find better uses for that money, such as covering daily expenses or saving for health care.

**4. You live alone or are very old.**

Not having heirs to worry about makes life insurance easy to forget. The same goes if you're single or divorced, insurance attorney Frank Darras says. Darras cites the case of his 103-year-old neighbor, whose wife died in May 2010. "He's outlived everybody," Darras says. "If he had life insurance, it's a great time to sell it."

**5. The cash value and death benefit of a policy are almost equal.**

Whole life insurance policies — which remain in effect for a policyholder's whole life and require premium payments each year — accumulate a cash value over time. If the amount of the cash value and the death benefit are almost equal, it's smart to make a tax-free exchange for a new paid-up policy that would double the existing benefit, says Jean Dorrell, a financial adviser who founded Senior Financial Security in Florida. Dorrell doesn't recommend cashing out the policy, as it would be taxable.

Borrowing against the cash value of a life insurance policy is a good way to avoid taxes while obtaining some money now, Dorrell says. The policyholder's heirs won't have to pay the loan back or pay interest, she says, because the amount of the loan will be subtracted from any death benefits.

**6. You have long-term care insurance.**

If you're planning to tap your life insurance to pay for your care in your golden years, that may be the wrong approach. "The problem is you're paying for life insurance costs when what you really need is long-term care insurance," Steuer says. Long-term care insurance goes beyond health insurance in paying for assistance with basic daily activities, such as dressing, bathing and cooking.

Senior Financial Security, Inc.