Jane Walstedt: And now, I’d like to turn to Sarah Miller, who is part of the Women’s Bureau team that plans these teleconference calls, to introduce our third speaker. Sarah--

Sarah Miller: Thank you, Jane.

Rebecca Pace has been in the financial services industry for over 25 years. She is a Certified Public Accountant and holds the designation of Personal Financial Specialist. This is awarded to CPAs who demonstrate a high level of expertise in the area of Personal Financial Planning.

She is also a Certified Financial Planner, Certified Divorce Financial Analyst, Long Term Care Specialist, Registered Investment Advisor, a former stockbroker, and she holds an insurance license. In other words, she’s a woman who can give you financial advice from virtually every perspective.

Having so much experience, Rebecca has been interviewed by many publications from *Kiplinger’s* to *USA Today*, and even from the other side of the world by *Asset*, the magazine for financial planners in Australia.

She started out by getting her Bachelor’s degree in Accounting from the University of Cincinnati and later completed the prestigious Financial Planning Residency Program at the University of California, Irvine.

Last year, Rebecca started her own company, Pace Advisors LLC, standing behind her commitment to provide objective independent financial advice and financial planning services on an hourly, as needed basis to people from all walks of life.
She has developed her own ‘Focus Advantage’ series of seminars focused on empowering women by making them more financially astute. Topics include women’s issues in financial planning, investment planning concepts, raising money-smart children, and taking control of your financial future during a divorce. She schedules these seminars regularly upon request and speaks often to churches, clubs, associations, and Chambers of Commerce.

Rebecca spoke on our June 30, 2006, WiSe Up Teleconference [call] on Estate Planning for Women, and we are pleased to welcome her back to talk about life and disability insurance, using life and disability insurance in divorce situations, and long-term care insurance.

Thank you for joining the call today, Rebecca.

Rebecca Pace: Thank you, Sarah. It’s always a surprise to me to hear my introduction. I don’t think I’m old enough to have done all those things. But I’m very happy to be here today and to talk with people about insurance risks.

It’s very important, with insurance, to cover your major risks first. And that really would be health insurance. Sarah’s already talked with us about health insurance that is available through the employer. Auto insurance is also a major risk. But disability is a more significant risk than people realize. Particularly, I’m talking about long-term disability.

Most people are covered by Social Security and may be able to get Social Security disability benefits. But those are often inadequate. If you’re going to get your employer’s disability [insurance] (maybe 60% of your pay) and Social Security, you’ll probably be able to get by.
But the problem is that you’re not really able to save for any other needs. There’s not adequate growth in that kind of disability insurance coverage, and if there’s a family and other needs beyond just the individual needs, living with that level of disability income can [be] very, very challenging.

So, one of the first things that we would recommend that people take a look at is exactly what kind of disability coverage do they have. Is there even a group plan that’s available to them? And how much coverage is that? That would be the place to start. And we often then recommend that people purchase an individual long-term disability income policy to layer above the group policy and provide supplemental benefits.

The individual disability policy is then fully portable. So if you change careers, change employers, you’re always going to have that level of disability coverage with you.

The next thing that people want to look at is life insurance. Most people are familiar with life insurance as probably the most common insurance that people hold. But a lot of people don’t have it. Some people do have it and they don’t need it.

Generally, a single person who has no dependents does not need life insurance. If you do feel a need for life insurance, you need to remember that this is a long term commitment from the insurance company.

You want to be sure that the carrier that you’ve selected is a strong carrier. You want to ask the agent about ratings or read through the literature and see what they say about how this carrier’s strength is rated. It’s a very important piece of life insurance.
So, life insurance is very rarely something you would need to buy for children. If you have money that you want to put towards something for your children, use it for a college investment [fund] instead. That is generally more effective. Particularly if you’re watching your budget and trying to prioritize what’s really important, life insurance for the children is probably not a high priority.

Now, life insurance is also often available as a group benefit. And it may be cheaper to buy it through your employer, but not always. So it always does pay to shop around a little bit.

Group coverage is a great way to start the life insurance, but remember, if you leave that employer, you’ll leave that insurance behind. [If] you have an individual policy, that is portable. You take it wherever you go, and you’re always going to have it.

Now, there are really two types of life insurance. There’s term insurance and there’s permanent insurance.

Term insurance is the lowest cost. It provides protection only.

And term means that it will expire. You can buy term insurance for as short a period as a single year, but most people will buy term for 10 years, 20 years. It covers a particular period of time, perhaps when the children are growing up.

You can get level term or you can get decreasing term. Usually the premiums for term are level for a fixed period of time and then they may jump. And when they jump, they may jump out of your price range. So you need to make sure that that level premium is going to be level for as long as you feel you’re going to need that coverage.
Premiums do go up with age. So if you get a ten-year term policy thinking “Well, I’ll get another one ten years from now,” the next policy is going to be more expensive.

A lot of people will shop for term insurance particularly online, and that can work particularly if you have excellent health. A good Web site to look at would be www.term4sale.com -- term4sale.com. That’s a good place to start.

But if you have any health issues or if there are health issues in the family, then you may want to work with an agent--an independent agent--who can shop around and find the best insurance coverage to meet your particular needs. So it’s not always the best to go online, though it might be a good place to start.

The other type of life insurance coverage is permanent coverage, and there are two types of permanent coverage. There’s universal life and there’s variable life.

The universal life is built on an interest rate concept. You purchase the insurance, you know what the death benefit is, you know what the premium is going to be. There will be a cash balance building up inside that policy. Some of these policies will pay dividends, and that may eventually cover the cost of the premium. This is pretty plain vanilla insurance.

The other style of insurance is called variable life. And variable life insurance, it’s permanent insurance. But if you don’t pay close attention to it, it may lapse because it does need maintenance. You need to keep in close touch with your agent if you’re using variable life insurance.
With variable life insurance, there are investment accounts inside the insurance policy, and you can select the investments. The idea is that you are going to build a cash value inside that policy, and that cash value will then eventually support the policy so you can stop making premium payments.

But if those investments are not watched carefully, then the investments can actually lose money and not make the returns you expect, and then the whole policy would not be self-funding.

The internal cost of the life insurance here is charged against your account every year, and that can negatively affect the variable life insurance.

So they can be good policies, [but] you want to see in force illustrations on a pretty regular basis to make sure that you’re still getting the coverage you think you’re getting.

Another thing I want to be sure to mention--since I do work in a divorce area--is that if there is income coming from an ex-spouse--either child support or alimony--then you want to make sure that that is protected by insurance -- both life insurance and disability insurance.

Now, this is insurance that the person who is receiving the payment, [they] would want to own the policy. That would mean that they would control the policy and they would be making premium payments. If you don’t own the policy, then you may not know if the premium payments stop, and if the premium payments stop, then that insurance is going to go away.

Now, usually, these policies …the benefits for these policies (particularly the life insurance benefits) are payable to a trust if they are to benefit the children, so they don’t go directly to the ex-spouse. But that money is going to be there to protect the ongoing responsibilities.
You want to make sure to apply for these policies before the divorce is final to make sure that the premiums are going to fit in the budget.

I'm almost out of time here, but one last thing I will mention is kind of not what you’d expect to hear when we’re talking to young people, and that is a little bit about long-term care.

Long-term care is the fastest growing group benefit, and you’re often able to prepay for the long-term care during your working years and then take that insurance policy with you.

Sometimes those policies will cover the parents of the working people, so the working people can stay employed and continue to build for their own needs and cover their own goals while - so they don’t have to leave the workforce to take care of their parents.

So long-term care insurance might be something that you would want to consider, even while you are young--the different ways that it can be used. But you personally would not want to purchase an individual policy for yourself until you’re around 50. There’s really no cost savings to you to get it earlier. It does get quite expensive as you get older, when people get into their 60’s and 70’s and even higher. It gets prohibitive. But it really doesn’t make much sense to get that for yourself at too young an age. Disability is certainly a much more important insurance.

I think that was all I was planning to cover. So I think I’ll turn it back over to Jane.

Thank you.
Jane Walstedt: Thank you very much, Rebecca. That too was very helpful information.