Protecting the Family Home

Foresters Financial

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The situation

Your client's home is likely the biggest investment they'll make. Chances are it's also the cornerstone to their financial future, because it's a substantial asset that's likely to grow. But what happens if your client passes at a young age or an illness strikes? Their spouse could end up facing the financial responsibility of a mortgage alone. If this happens, it could undermine the stability that their family worked hard to build.

The strategy

Protecting the Family Home is a strategy made up of two coverage options; protect the mortgage or protect the equity. With protecting the mortgage, the client's loved ones may have the ability to continue living in the family home and building memories without the fear of falling behind on a mortgage. With protecting the equity, the client's loved ones may have the ability to protect their equity within the home for a period of time while they determine their next steps as these funds allow them to continue making monthly mortgage payments for a period of time.

With Protecting the Family Home, consideration should be made for homeownership expenses such as:

- Mortgage payments (including property taxes, homeowner association fees/dues)
- Homeowner's insurance
- Maintenance costs
- Water and sewer services
- Electricity and heating costs
- Unexpected repairs

Though term insurance is typically used with this strategy, clients have three options they can choose from, depending on their financial resources and personal goals for this coverage:

1. Straightforward term insurance ranging from 10 to 30 years
2. Layered coverage using a blend of term and permanent insurance
3. Lifetime coverage using a permanent option with potential to build tax-deferred cash value

The advantages:

- Generally tax-free[1] life insurance death benefit proceeds to the beneficiary that may be used to pay off the mortgage and cover homeownership expenses or provide them time to determine their next steps
- Money so that family members don't have to take on debts due to the loss of a loved one's income
- Coverage for chronic, critical or terminal illnesses that could impact the client

Did you know?

Roughly 66%[2] of Americans own a home!

Meet Fred and Alexa

Fred is 33 years old. Alexa is 34. They are married and have a child on the way.

The couple purchased their first home together three years ago. They have an outstanding mortgage of $225,000.

Their goal?

Create a plan that provides the resources to pay off the mortgage and leave extra money to cover unforeseen costs of homeownership in the event of Fred's death. In the event of Alexa's death, they want enough protection for the family to allow Fred the ability to determine what to do with the family home without jeopardizing the built-up equity. At this stage in Fred and Alexa's life, they're not interested in total income or lifestyle protection.

STEP 1

Fred and Alexa meet their insurance producer to discuss their desire to protect the family home in the event of death.

STEP 2

During the meeting, their producer works with them to complete a fact finder. This is used to uncover their total need and ensure they're creating a proper plan that meets their objectives.

STEP 3

Based on their discussions and the information gathered on the fact finder, it's determined that Fred needs $275,000 worth of 30-year term and Alexa needs $65,000 of 30-year term.

STEP 4

Fred and Alexa decide to purchase a Foresters 30-year term[3] life insurance coverage with Foresters Financial™, with Waiver of Premium[3] included due to their concerns about illness. Fred applies for $275,000 of 30-year term and both are approved Standard Non-Tobacco.

STEP 5

If Fred or Alexa becomes ill during the term period, they may have the opportunity to accelerate a portion of their coverage with the Accelerated Death Benefit Rider.[4] This built-in rider provides coverage for eligible chronic, critical and terminal illness.

STEP 6

If Fred passes during the term period, the generally tax-free death benefit proceeds will provide funds that may be used to cover the mortgage and any unexpected costs that may arise, allowing their family to remain in their home. If Alexa passes during the term period, the funds may be used to cover the mortgage for a period of time while Fred determines what is best for his family.

Fact finder: Protecting the Family Home

Clear Form

Date M M / D D / Y Y

1 Personal Information

Client Name | Date of birth

Y N

State of Residence | Smoker | Underwriting Class (Preferred, Standard, Etc.)

Spouse Name | Date of birth

Y N

State of Residence | Smoker | Underwriting Class (Preferred, Standard, Etc.)

Children (#)

2 Financial Information

$ Client's Annual Salary | $ Client's Other Income | $ Spouse's Annual Salary | $ Spouse's Other Income

$ Total Adjusted Gross Income | % Income Tax Bracket | $ Total Amount of Liquid Assets (Bank Accounts, Money Market Accounts, CDs, etc.)

3 Mortgage Information

$ Outstanding Mortgage | $ Monthly Payment on Mortgage

Of Years Remaining on Mortgage | % Mortgage Interest Rate

Y N If Yes, Amount: $

Have A Second Mortgage on Home | $ Yearly Property Tax | $ Yearly Home Insurance Cost

$ Other Monthly Expenses To Run Home | Anticipated Capital Needed For Home Improvements

$ Desired Emergency Funds For Unexpected Home Repairs | Funeral & Other Final Expense Needs

[1] Foresters, their employees and life insurance representatives, do not provide, on Foresters behalf, legal or tax advice. The information given here is merely a summary of our understanding of current laws and regulations. Advise your clients and prospective purchasers to consult their tax or legal advisor.

[2] Source: Table 14. Homeownership rates by area/ U.S. Census Bureau, Current Population Survey/ Housing Vacancy Survey, March 9, 2021.

[3] Foresters products and riders may not be available or approved in all states and are subject to eligibility requirements, underwriting approval, limitations, contract terms and conditions and state variations. Refer to the applicable Foresters contract for your state for these terms and conditions. Underwritten by The Independent Order of Foresters.

[4] The Accelerated Death Benefit Rider provides an option to accelerate a portion of the eligible death benefit and receive a payment. The payment, due to diagnosis of an eligible illness, may be less than the acceleration amount which may be subject to a fee, an actuarial discount amount and other applicable deductions. Payment will decrease certificate values and benefits and may affect eligibility for public assistance programs. Receipt of an accelerated death benefit payment under the rider is intended to qualify for favorable tax treatment under section 101(g) of the Internal Revenue Code (IRC). Specific situations may result in a taxable event. For New York certificates: **This is a life insurance certificate that accelerates the death benefit on account of chronic illness and is not a health insurance certificate providing long term care insurance subject to the minimum requirements of New York Law, does not qualify for the New York State Long Term Care Partnership Program and is not a Medicare supplement certificate** (The Accelerated Death Benefit Rider (For Terminal Illness) does not include acceleration for a chronic illness).

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