



The Importance of Life Insurance for the Stay-at-Home Spouse

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Most people would likely agree that a family's breadwinner should have life insurance protection. But should the spouse who handles responsibilities at home and does not earn an income also be insured?

The Spouse at Home

If something were to happen to a stay-at-home spouse, it would be emotionally devastating for the surviving spouse and children. But there could also be a tremendous financial impact, as well. During the difficult times ahead, someone may need to help care for the children and home. Initially, friends or relatives might assist. But eventually, they will need to return to their regular lives — and the surviving spouse will need to return to work.

At that point, the only recourse may be to hire professional services. And this step could present a financial hardship.



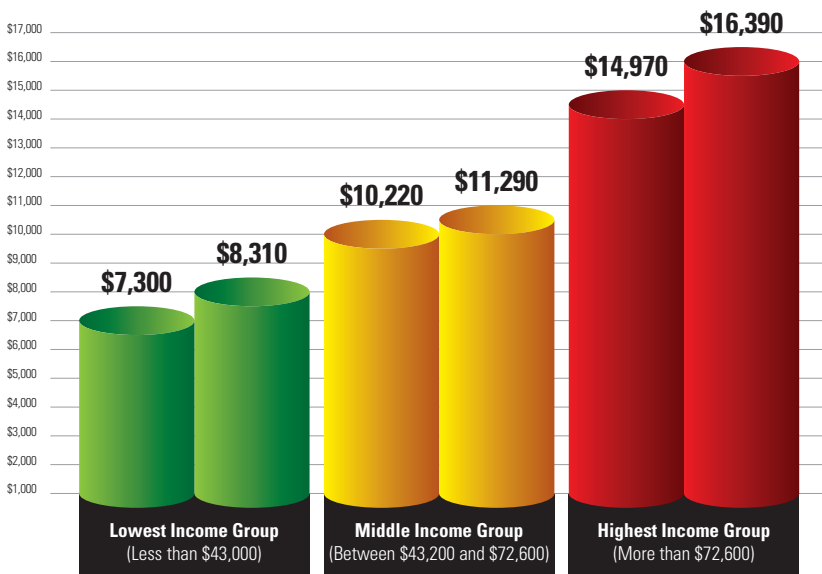
Valuable Contribution of the Stay-at-Home Spouse

While everyone recognizes the vital role of the family homemaker, few people think about the cost of services performed by the stay-at-home spouse. This includes childcare, looking after the home, preparing meals, and many other time-consuming activities, like carpooling, laundry and grocery shopping. Today, annual childcare costs can exceed \$16,000 for children age 15 to 17 in husband-wife families.¹

All told, the financial equivalent of the vital services a stay-at-home spouse provides can amount to tens of thousands of dollars a year. That's why it's crucial for a stay-at-home spouse to have his or her own life insurance protection. It's hard enough for a family to deal with the emotional repercussions of losing a parent or spouse.

Before-tax Income Annual Expense Range

Estimated annual expenses vary by household income level and age of child*



*Expenditures on Children by Families, 2005, U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, Miscellaneous Publication Number 1528-2005.

How Much Life Insurance Do You Need?

There are no hard and fast rules for determining how much life insurance is enough, because no two families have exactly the same needs or resources. As a general rule of thumb, though, the appropriate amount of insurance protection could equal an individual's annual salary times the number of years before the youngest child is out of college, depending on other available income or resources.

When calculating an amount for a stay-at-home spouse, the annual financial value of the services he or she provides should be used. Let's say you determine that the financial value of the services a stay-at-home spouse provides for your family equals \$50,000 a year. If your youngest child will finish college in 15 years, the appropriate amount of insurance protection needed for the

stay-at-home spouse would be approximately \$750,000, depending on other available income or resources.

Some other things that could determine an insurance amount include funeral costs, medical expenses, probate fees, estate taxes and inflation. Your

insurance agent can help you determine how much life insurance—and what type—you will need. There are two basic types of life insurance protection for you to choose from: term and permanent.

Term Insurance

Term insurance provides affordable coverage for a specific number of years. This is often the best choice when protection needs are high for a limited period of time and affordability is an issue.

Term insurance allows you to obtain crucial death benefit protection at a lower cost than permanent insurance. There are term policies ranging from five years to 20 years. Many of these are renewable.

Also, if you purchase a term policy that is convertible to permanent life insurance, you can get the insurance protection you need today with the ability to obtain permanent protection in the future, without proving insurability.

However, a term policy is only in force for a specific time as long as premiums are paid, and once the term policy expires, you lose the death benefit. In addition, if you plan on renewing your policy for a number of years, the long-term costs could be expensive. For example, if someone buys term insurance in their 20s, by the time they are in their 50s, the total cost of term insurance probably will have exceeded the cost of permanent insurance coverage.

If you purchase term insurance, it's important to find a policy with a conversion privilege, which allows you to convert your term policy to a permanent policy without submitting evidence of insurability. When you convert to a permanent policy, coverage can never be cancelled, provided premiums are paid. This valuable feature generally is available within the first 10 years of the term policy.²

Permanent Insurance

The other option is permanent life insurance. Permanent life insurance provides protection for your entire life (provided premiums are paid when due) and accumulates cash value tax-deferred. This cash value can be borrowed against in times of need — such as for funding education, buying a home, and supplementing retirement income — although any unpaid loans accrue interest and also will reduce the policy's cash value and death benefit by the amount of the outstanding loans and interest.

Unlike term, many permanent policies enable you to “lock in” the premium amount for the life of the policy. Other plans can offer different levels of premium and benefit flexibility, which you can adjust to suit your needs. There are pros and cons to each type of insurance protection and the best option for you depends on your needs. However, if the choice is between term coverage and no coverage at all, term is likely the better choice.

The flexibility of any variable product enables you to allocate your premium payment across several investment divisions, which include stock, bond, balanced, international and money-market portfolios.

A Range of Options

There's a wide range of term and permanent life insurance products available to meet your specific needs. Your life insurance agent can explain the choices available to you.

The Advantages of Riders

Policy riders — available with both term and permanent life insurance — enable you to customize your policy, lock in additional insurance coverage for down the road, or obtain other important benefits that help you meet your short- and long-term goals. By adding riders to your life insurance policy, you create a policy that can meet your changing needs and grow along with you and your family.

Remember Your Stay-at-Home Spouse in Insurance Planning

It can be very easy to overlook the financial contributions of a stay-at-home spouse—that is, until the person is gone. If you or your spouse decide to remain at home to care for your children, don't forget that the contribution of the stay-at-home spouse can equal tens of thousands of dollars a year. The loss of a parent is hard enough on a family; purchasing insurance coverage for a stay-at-home spouse can help ensure that it doesn't become a financial hardship as well.

¹ "Expenditures on Children by Families, 2005," U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, Miscellaneous Publication Number 1528-2005.

² Conversion periods vary by term product.



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