



NEW PARENTS

What insurance do lawyers *really* need when starting a family?



A complimentary guide from the American Bar Endowment

INSURANCE
EXCLUSIVELY
for ABA Members

CONTENTS



CONGRATULATIONS, YOU'VE STARTED A FAMILY!

NOW'S THE TIME TO TAKE A GOOD HARD LOOK AT YOUR INSURANCE.

A new baby is a celebration of life, but also the beginning of a long-term financial commitment.

When you're starting a family you face perhaps the most daunting financial pressures you'll encounter *at any stage of life*. Expenses like a new home and young children are significant, and you're likely still early in your law career, far from your peak earning years. Meanwhile, you need to begin saving for the future: college for the kids, a nest egg for you and your spouse or domestic partner (referred to as spouse). How can you address all of these obligations at once?

The key is to imagine you're at the beginning of a long-term building process. Financial security is a combination of savings, investments and insurance protection that accumulate over time. As your legal career progresses and your income increases, your financial security will grow as well.

The costs to raise
a child to age 18:*

\$407,820

(not including college expenses)

* Approximation for U.S. families earning more than \$106,540 annually.
[Source: USDA. Expenditures on Children by Families, 2013.](#)

NEW PARENT INSURANCE NEEDS

THINK ABOUT PROTECTION FIRST

The first step in establishing your financial security is to confront the biggest threats first by asking yourself some tough questions: What would happen if you or your spouse became sick, injured or died? All of these situations can be devastating to your family's financial health. That's where insurance comes in.

By now you are probably very familiar with auto, home and health insurance. But what about the other kinds of protection that are so **critical to your new family**?

Life insurance is an integral component of any well organized financial plan. Having children is often the catalyst for buying life insurance or supplementing your current coverage. You may already have life insurance through work or have purchased some privately. However, it's important to calculate how much you'll *really* need now that you've started a family.

CONSIDER INSURING BOTH PARENTS

Today it's common for both parents to work and contribute to the costs of caring for their children and planning for the future. That's one reason experts recommend both spouses have life insurance, particularly if they both pitch in to pay the mortgage.

But even in cases where one parent stays home to care for a young child, that parent should be insured. A stay-at-home parent provides vital household services—childcare, house upkeep and transportation to name a few—that would be expensive to replace.

Don't make the mistake of viewing life insurance as just another expense. It can be the best gift you can give your family. After all, it will likely be the primary means of your family's support in the event of your death.

LIFE INSURANCE NEEDS WORKSHEET

This worksheet, reprinted with permission from Life Happens, can help you get a general sense of how much life insurance you may need to protect your loved ones, assuming that you died today. Before buying life insurance, it makes sense to consult with an insurance professional for a more thorough analysis of your needs.

Table A

Years Income Needed	Factor
10	8.8
15	12.4
20	15.4
25	18.1
30	20.4
35	22.4
40	24.1

INCOME

1. Total annual income your family would need if you died today

What your family needs, before taxes, to maintain its current standard of living. (Typically between 60% - 75% of total income.) \$ _____

2. Annual income your family would receive from other sources

For example, spouse's earnings or a fixed pension.¹ (Do not include income earned on your assets, as it is addressed later in the calculation.) \$ _____

3. Income to be replaced

Subtract line 2 from 1. \$ _____

4. Capital needed for income

Multiply line 3 by appropriate factor in Table A. Factor _____ \$ _____

EXPENSES

5. Funeral and other final expenses

Typically the greater of \$15,000 or 4% of your estate. \$ _____

6. Mortgage and other outstanding debts

Include mortgage balance, credit card balance, car loans, etc. \$ _____

7. Capital needed for college

(2013-2014 average 4-year cost: Private \$163,668; Public \$73,564²)

	Estimated 4-Year Cost	Appropriate Factor in Table B	NPV	
Child 1	_____	x _____	= _____	+] → \$ _____
Child 2	_____	x _____	= _____	
Child 3	_____	x _____	= _____	

8. Total capital required

Add items 4, 5, 6 and 7. \$ _____

ASSETS

9. Savings and investments: Bank accounts, money market accounts, CDs, stocks, bonds, mutual funds, annuities, etc. \$ _____

10. Retirement savings: IRAs, 401(k)s, SEP plans, SIMPLE IRA plans, Keoghs, pension and profit sharing plans.³ \$ _____

11. Present amount of life insurance

Including group insurance as well as insurance purchased on your own. \$ _____

12. Total income producing assets

Add lines 9, 10 and 11. \$ _____

13. Life insurance needed

Subtract line 12 from line 8. \$ _____

Note: These tables help you determine net present value (NPV), the amount of capital required today to satisfy future income or college cost needs, given an assumed investment return of 6%, inflation of 3% for living costs and 5% for college costs.

¹ Social Security benefits, which may be available, have not been factored into this calculation.

² Trends in College Pricing, 2013, The College Board. Costs reflect total charges, which include tuition, fees, room and board.

³ Distributions from most retirement savings plans are subject to ordinary income tax rates.

IT'S ALSO TIME TO REVIEW YOUR INCOME PROTECTION

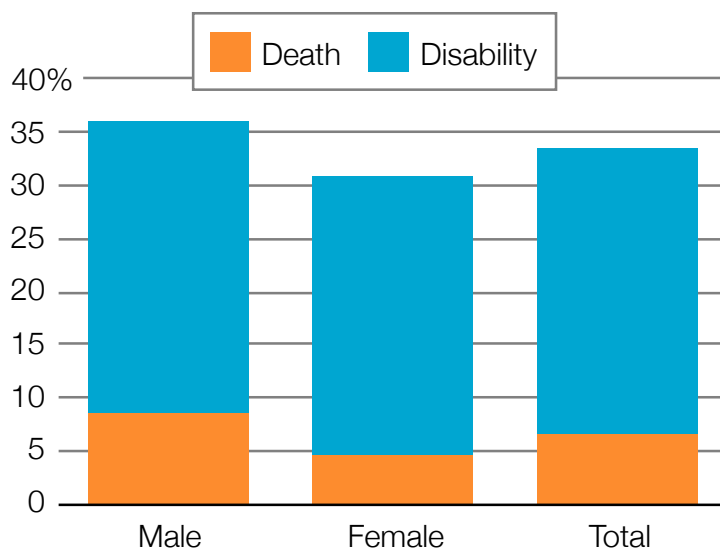
Starting a new family is also the time to do a disability insurance check up. Disability insurance replaces a portion of your income if you are unable to work due to a disabling illness or injury. And you are more likely to become disabled by accident or illness than to die prematurely.

Think about how long you could make ends meet if your paycheck suddenly disappeared.

Many employers offer basic, low-cost group disability as a benefit or for an extra out-of-pocket premium. But employer group policies often have offset provisions, meaning they pay you less once Social Security Disability kicks in.

And, by the way, in doing your calculations, don't count on Social Security Disability to pay all your bills. [The average benefit is only \\$1,164 a month.](#) Would that be enough for you and your family to live on? If not, you may want to think about supplemental disability insurance.

PROBABILITY OF DISABILITY OR DEATH BEFORE REACHING FULL RETIREMENT AGE*



* Note: Projections are for workers reaching age 20 in 2013, for whom the full retirement age is 67.
Source: [Center on Budget Policy and Priorities, Chart Book: Social Security Disability Insurance, August, 2014.](#)

MAKE SURE YOU HAVE “OWN OCCUPATION” DISABILITY COVERAGE

Your disability coverage should pay if you're unable to perform your own specialty of law. The alternative, “any occupation” coverage, would only start paying if you became unable to act even as a store greeter.

The benefit period is crucial, too. While it's common to have short-term coverage through work, periods of up to five years (mid-term) and longer (long-term) are critical. Make sure you have the coverage that will be there through a severe or chronic disability.

Lastly, be aware of the tax implications. If you pay your premiums at work with pretax dollars, Uncle Sam may demand a cut of your benefits.¹

CONSIDER A PLAN NOT TIED TO YOUR EMPLOYER

Even if you currently have coverage through work, applying for your own disability insurance independently is an option worth considering. Unlike employer-provided coverage, for example, ABE-sponsored insurance plans are portable.² This means that you can take the coverage with you if you move on to another firm or decide to start your own, as long as you remain at work full-time and an ABA member.

For all the same reasons mentioned earlier, your new family deserves the right type, amount and term length of protection for your income. Remember, should a serious illness or disability strike, this coverage could *become* your income.

About 1 in 4 of today's 20-year-olds will become disabled before they reach full retirement age.³

¹ Consult a qualified tax advisor.

² Subject to U.S. Government regulation and Group Policy terms governing termination of coverage.

³ [Social Security Administration, *Disability Benefits*, April, 2014.](#)



NEED HELP DETERMINING THE RIGHT COVERAGE FOR YOUR FAMILY?

It can be challenging for even the most knowledgeable to decide what kinds and levels of coverage they really need. ABE is here to help in two ways:

A COMMON RULE OF THUMB:

Life insurance should cover
5-10 times your annual salary.*

- 1). Use our [free online insurance coverage calculator](#) to determine for yourself the specific amounts and terms of ABE-sponsored coverage that might be best for your family.
- 2.) Contact your personal ABE Insurance Plan Specialist at 800-621-8981 to learn more about ABE-sponsored options.



Find out what coverage you may be eligible to apply for at abendowment.org/calculators/assessment.asp 

HOW ABE-SPONSORED INSURANCE CAN HELP



The **American Bar Endowment (ABE)** is a not-for-profit charitable organization established by the ABA in 1942. Our sponsored insurance plans are offered exclusively to ABA members.

From term life insurance to disability income coverage to financial protection for your practice, ABE-sponsored insurance plans can be tailored to fit your specific needs.

It's insurance designed by attorneys for attorneys.



AFFORDABLE GROUP RATES

ABE-sponsored insurance plans are priced at group rates for ABA members. This enables members like you to get rates that other corporate groups are able to receive. You'll find that these rates are affordable and the coverage offers solid value.

BACKED BY A TRUSTED INSURER

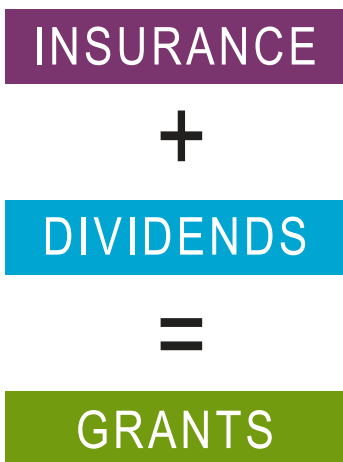


New York Life Insurance Company is one of America's most respected insurance companies. Since 1845 it has been making sure customers are prepared for whatever life has in store. New York Life has received the highest possible financial strength ratings currently awarded to any life insurer from all four of the major credit rating agencies: A.M. Best (A++), Fitch Ratings (AAA), Standard & Poor's (AA+) and Moody's Investors Service (Aaa).

[Source: Third Party Rating Reports \(as of 7/1/15\).](#)

INSURANCE THAT PROTECTS YOU, AND HELPS OTHERS, AT THE SAME TIME!

ABE-sponsored insurance is different from other kinds of insurance where an agent receives a commission, or where a state or local bar receives royalties. Instead of paying commissions or royalties, these plans let participants get the full value of the insurance and premiums paid.



ABA members purchase insurance through ABE.

Members donate any available plan dividends back to ABE.

ABE grants help fund more than 200 legal research, public service, and educational projects.

ABE-sponsored plans are designed to produce dividends that ABA members can choose **to donate to ABE to be used to support the good works of the legal profession.** (*Dividends are not guaranteed.*) Members may also annually request that any available dividends, or a percentage of those dividends, be returned to them. If donated to ABE, contribution amounts are tax deductible under Section 170(c) of the U.S. Internal Revenue Code. ABE then uses these donated dividends to support annual grants which help fund over 200 legal research, educational and public service projects, including those conducted by two other ABA-affiliated, Section 501(c)(3) charitable and educational organizations, the Fund for Justice & Education (FJE) and the American Bar Foundation (ABF).

These sponsored insurance plans enable ABA members to not only get the quality, affordable insurance they need, but also provide a very special opportunity to support the good works of our profession at the same time.

That's insurance that makes a [difference!](#)

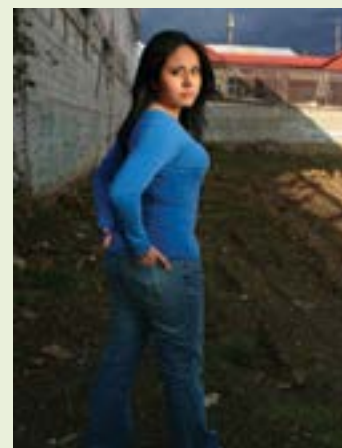
JUST ONE OF THE WAYS ABE MAKES A DIFFERENCE

The ABE annual grants funded primarily by ABA member-donated plan dividends provide millions of dollars a year to support over 200 legal research, educational and public service projects. This support helps provide legal aid to children, veterans, abused women and many more vulnerable populations. Here's just one example:

HELPING IMPROVE THE FOSTER CARE SYSTEM AND TRANSITION TO ADULTHOOD

Jennifer Rodriguez spent most of her formative years as a ward of the state. At 18 she “aged out” of the foster care system and was forced to leave her group home, with only three garbage bags containing all her belongings.

Jennifer's story is not unique. Over 500,000 children and young adults live in foster care – and upon aging out at age 18, more than half will be unemployed, almost a third will experience homelessness, and one in five will be incarcerated within two years.



Model; for illustrative purposes only.

To improve the foster care system, the ABA Center on Children and the Law created the Permanency Barriers Project. The Project attempts to help lessen the time children like Jennifer spend in foster care and in their transition to adulthood.

Thanks in part to an ABE grant, the ABA Fund for Justice and Education has the financial resources to allow the Permanency Barriers project to **make a difference** in the lives of children all over the United States.



See more projects supported by donated dividends at
abendowment.org/givingback/dividends/

ABE-SPONSORED INSURANCE FOR YOUR NEEDS

10- AND 20-YEAR LEVEL TERM LIFE

Underwritten by New York Life Insurance Company

PROVIDES AN ALL-IMPORTANT FOUNDATION OF FINANCIAL SECURITY

If you don't yet have life insurance, or your coverage [isn't adequate for your financial obligations](#), now is the time to apply. ABE-sponsored 10- or 20-Year Level Term Life insurance plans offer a death benefit large enough to make a real difference to your family as well as highly affordable group rates you can lock in for the next ten or twenty years. With **up to \$2 million** of protection and **spouse and child coverage** available, now is the time to apply for the coverage you need to help secure your loved ones' financial futures.

BENEFITS OF PARTICULAR INTEREST TO NEW PARENTS:

- ✓ High maximum coverage amount: up to \$2 million
- ✓ Spouse and child coverage available
 - Rates locked in for your choice of 10 or 20 years*
 - Living Benefit – 50% of benefit paid for terminal illness
 - Non-Smoker discounts



"ABE-sponsored insurance was the right choice for me at this time in my life, because it offered me an affordable rate while ensuring that my family would be taken care of in my absence. Additionally, I appreciate that any available dividends are donated to support the ABE's efforts."

Sarah Stogner, ABE-insured since 2012

CALCULATE YOUR RATE

APPLY ONLINE

QUESTIONS?

* ABA members who reside in the United States, District of Columbia, Puerto Rico, or the U.S. Virgin Islands and who are under age 65 may apply for the 10-Year Level Term Life Plan and those under age 55 may apply for the 20-Year Level Term Life Plan.

10-Year Level and 20-Year Level Term Life Insurance plans are group insurance plans, meaning coverage is issued to an ABA member under a Certificate of Insurance; it is not provided under an individual policy, nor is it employer/employee insurance. Underwritten by New York Life Insurance Company, 51 Madison Avenue, New York, NY 10010 under Group Policy G-29104-0 (10-Year) or G-29168-0 (20-Year) on Policy Form GMR-FACE/G-29104-0 (10-Year) or GMR-FACE/G-29168-0 (20-Year).

DISABILITY

Underwritten by New York Life Insurance Company

A FINANCIAL SAFEGUARD WHEN INJURY OR ILLNESS PREVENT YOU FROM WORKING

A disability could potentially destroy your way of life. It can take away many things you've achieved through your profession—all the things you've enjoyed at your income level. These plans **help ensure that a substantial portion of your income would continue** if you become ill or injured and unable to work for several weeks, months or even years. This is an affordable and easy way to get the important “paycheck protection” you need. Even if you already have disability insurance, you may want to consider supplementing your current coverage. The ABE-sponsored Mid-Term disability benefits are paid up to five years for disabilities arising from an accident and two years for those from a sickness, whereas Long-Term disability benefits are payable up to age 65.*

Whether you choose a Mid-Term, Long-Term, or Long-Term Plus plan, there are a variety of monthly benefit amounts and waiting periods available to fit your personal needs.

BENEFITS OF PARTICULAR INTEREST TO NEW PARENTS:

- ✓ Pays a monthly benefit up to \$12,000
- ✓ Definition of Disability includes your specific Specialty of Law
- ✓ Law School Loan Repayment Option (up to age 40)
 - Choice of waiting periods
 - Partial Disability: continue to receive partial benefits after you return to work part-time after a total disability
 - 50% additional benefit if hospitalized (max. 3 months)
 - Spouse benefits available

CALCULATE YOUR RATE

APPLY ONLINE

QUESTIONS?



“I think a lot of people are aware of, ‘hey, I need life insurance,’...but disability insurance is very important, too. [The chance of] someone actually being disabled during their career is a lot higher than someone dying during their career.... I’m very happy [with my ABE-sponsored insurance].”

Denis Anastasia, ABE-insured since 2008

* Long-Term benefits are payable up to age 65 or up to two years for disabilities beginning on or after age 63 but before age 70 and one year for disabilities that begin on or after age 70 but before age 75.

Mid-Term, Long-Term, and Long-Term Plus disability plans are group insurance plans, meaning coverage is issued to an ABA member under a Certificate of Insurance. It is not provided under an individual policy, nor is it employer/employee insurance. Plans may vary and may not be available in all states. Underwritten by New York Life Insurance Company, 51 Madison Avenue, New York, NY 10010 under Group Policy G-29902-0 (Mid-Term), Group Policy G-29901-0 (Long-Term), and Group Policy G-29900-0 (Long-Term Plus) on Policy Form GMR-FACE/G-29902-0 (Mid-Term), Group Policy G-29901-0 (Long-Term), and Group Policy G-29900-0 (Long-Term Plus).

RETIREMENT CONTRIBUTION DISABILITY

Underwritten by New York Life Insurance Company

KEEP SAVING FOR RETIREMENT EVEN WHEN YOU AREN'T EARNING AN INCOME

Your ongoing contributions to your 401(k) or other qualified retirement plans are dependent on your continued ability to work and earn an income. But retirement saving is vital to the future financial stability of you and your spouse. Should a serious illness or accident prevent you from being able to continue your current occupation, this plan would help you continue saving for retirement. Standard disability coverage replaces a portion of your lost current income. This coverage helps you meet a completely separate need — **continuing to fund your retirement savings in the event of your disability.**

BENEFITS OF PARTICULAR INTEREST TO NEW PARENTS:

- ✓ Choose a monthly benefit up to \$3,500
- ✓ Contributions for any qualified retirement accounts including IRAs and 401(k)s
 - Benefit amount you choose should include any matching amount from your employer
 - Doesn't duplicate your current disability insurance



CALCULATE YOUR RATE

APPLY TODAY

QUESTIONS?

ACCIDENTAL DEATH & DISMEMBERMENT (AD&D)

Underwritten by New York Life Insurance Company

EXTRA PROTECTION TO SUPPLEMENT LIFE AND DISABILITY COVERAGE

Nobody can be protected from accidents all the time. What you can do is help safeguard yourself and your family from the financial consequences accidents can cause. Life insurance generally pays benefits when you die. Disability covers loss of income when you are unable to work for a period of time. Accidental Death and Dismemberment pays benefits when your death is the result of an accident or you experience a qualified dismemberment such as loss of speech and hearing. AD&D policies are inexpensive and they can provide a high benefit amount to supplement your basic insurance coverages.

This plan provides up to \$500,000 for deaths due to an accident or a qualified dismemberment, including a common carrier benefit.* **Acceptance is guaranteed – no medical exams or health questions.**

BENEFITS OF PARTICULAR INTEREST TO NEW PARENTS:

- ✓ Covers loss of speech and hearing for up to 100% of benefit
- ✓ Spouse and child coverage available
 - Benefit up to \$500,000
 - Acceptance Guaranteed

CALCULATE YOUR RATE

APPLY ONLINE

QUESTIONS?



* Pays an additional 10% of the benefit payable if the loss is the result of an accident while a passenger on a common carrier (as a passenger on a plane, train, taxi or other qualified common carrier), properly operated and licensed for the transportation of passengers for hire.

Accidental Death & Dismemberment is a group insurance plan, meaning coverage is issued to an ABA member under a Certificate of Insurance; it is not provided under an individual policy, nor is it employer/employee insurance. Plans may vary and may not be available in all states. Underwritten by New York Life Insurance Company, 51 Madison Avenue, New York, NY 10010 under Group Policy G-11461-0 on Policy Form GMR-FACE/G-11461-0.

HOSPITAL MONEY PLAN (HMP)

Underwritten by New York Life Insurance Company

EXTRA COVERAGE FOR HOSPITALIZATION EXPENSES

Now, by law, you probably have a health insurance plan. It likely provides some hospitalization benefits. However, many of your out-of-pocket expenses may not be covered: deductibles, co-payments, childcare, transportation, and more. This plan provides supplemental coverage for your out-of-pocket expenses if you are hospitalized, **as much as \$500 per day.**

BENEFITS OF PARTICULAR INTEREST TO NEW PARENTS:

- ✓ Benefit up to \$500/day
- ✓ Spouse and child coverage available
 - Optional \$1,000 or \$2,000 Surgical Benefit
 - Double benefits for cancer or intensive care
 - Acceptance Guaranteed



[CALCULATE YOUR RATE](#)

[APPLY ONLINE](#)

[QUESTIONS?](#)



DON'T PUT IT OFF. GET THE COVERAGE YOUR FAMILY NEEDS.

Having the right kind of insurance coverage is the first step to establishing a sound financial foundation for your new family. When you have limited resources, like many lawyers in the early stages of their careers, it is absolutely essential that you have adequate insurance coverage to protect your family from catastrophic loss. Once you are properly covered for life-changing events, you can focus on your investing and savings goals.

[SEE OUR AFFORDABLE RATES](#)

Even though we've hopefully clarified some of the kinds of insurance you may really need today, it's still easy to be confused about what's appropriate for your personal situation and needs.

ABE is here to answer your questions. [Contact your ABE Insurance Plan Specialist](#) to get the ABE-sponsored insurance information* you need to help you make sound decisions.



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* Including plan features, costs, eligibility, renewability, limitations and exclusions, underwriting carrier information, and charitable contribution opportunity.

ABE is a tax-exempt section 501(c)(3) charitable and educational organization. All ABE-sponsored plans are group insurance plans, meaning coverage is issued to an ABA member under a Certificate of Insurance. It is not provided under an individual policy, nor is it employer/employee insurance. Plans may vary and may not be available in all states.

Bonnie Czarny (ABE), is licensed in AR (Ins. Lic. #404091) and in CA (Ins. Lic. #0H99426).