Life Insurance Overview

The main purpose of a life insurance policy is to provide survivor benefits for designated beneficiaries. A life insurance policy allows you to provide financial security for your family upon your death. It can help your family meet the financial needs previously covered by your income.

What are the most common types of life insurance?

The three most common types of life insurance are whole life, term life, and universal life. However, there are many different options with each type.

- **Whole life insurance** is designed to provide coverage for the entire life of the insured. The policy provides a fixed amount of life insurance coverage while building cash value (a savings feature). The premium remains the same until the maturity date (usually age 100). Benefits are payable upon the death of the insured or on the maturity date. The cash value accumulates from premiums paid and increases over the years. Policies with cash values include provisions that allow you to take out loans on your policy for up to the amount of the cash value. The loans accumulate with interest but repayment is not required prior to death. If you die and the loan has not been repaid, the loan amount with interest is deducted from the amount paid to your beneficiary.

- **Term life insurance** is purchased for a specific time period and pays a death benefit only if the insured dies during the specified time period and premiums are paid. Term insurance does not build cash value. Term insurance is usually purchased for large amounts of coverage for specific time periods (i.e., one, five, 10 or 20 years, etc.) or to age 60 or 65. With term insurance, coverage ends after the specified term in the policy is reached, unless it includes a provision allowing you to renew the policy without providing evidence of insurability, such as passing a physical exam. However, the premium will increase with age. A term insurance policy may be convertible. This means you can exchange the term policy for a whole life policy without providing evidence of good health. Although the premium for the whole life policy will be higher initially, it will remain the same for the rest of your life.

- **Universal life insurance*** is a combination of a term life policy and the ability to accumulate cash value. It gives the policyholder more control over premiums, provides protection for beneficiaries and is more flexible than a whole life policy. The universal life policy provides flexibility by allowing the policyholder to change the death benefit at certain times or to vary the amount or timing of premium payments. Both the universal and whole life policy allows withdrawals or loans against the cash value of the policy.

  ***Buyer Beware:** A combination of low interest rates and the rising cost of insurance could result in the future elimination of your policy's death benefit and cash value. Make sure you ask your agent about this possibility. Also, be sure you understand which cash values are guaranteed and which are not. As you get older, the cost of insurance rises. Therefore, if returns do not meet projections, your premium payments may need to increase to keep the policy in force. See the guaranteed section of your policy.*

Do you need Life Insurance?

To determine your need for life insurance, answer the following questions:

- Are there people who depend on you financially?

- If you provide services such as child care, cooking, shopping, and cleaning for your family, who will provide these services if you die?

If so, life insurance can provide for their needs if you should die. The proceeds from a life insurance policy can also help pay off debts such as your mortgage or other financial obligations you may leave behind.

For most people, the need for life insurance is greatest after starting a family or buying a home. The need decreases as the children grow up and become independent and mortgages are paid.

Do I need life insurance for my children or my parents?

There are three (3) common reasons to purchase life insurance. The first is to replace income or services provided should the insured person die. The second is to assist with burial expenses and the third is to pay off debts left behind by the insured. Children and people who are older or retired, or who have no dependents, may not need large amounts of life insurance. Insurance on children is sometimes purchased to assist with burial expenses, or to build cash value, which can be transferred when the child turns 21.

Should stay at home spouses have life insurance?
If the stay-at-home spouse dies and provided services such as childcare, laundry, shopping, cooking, and cleaning, the survivor may have to pay someone for those services. Add up the expense of replacing these services to determine the financial impact when deciding if there is a need to insure a stay-at-home spouse.

Life Insurance Tips

- ***Verify before you buy!!!!*** *Contact us to verify the license of the agent and the insurance company before you sign the application for a policy.*
- ***Life Insurance Guides*** *The guides are excellent tools if you are shopping for a specific type of insurance and would like to gain a better understanding of all the aspects of the product prior to making your purchase.*
- ***Review your contract carefully!!!!*** *As with any insurance product, always review the contract and be sure you understand the terms and conditions, since these will vary between policies. Ask the agent and/or company for an explanation of anything you do not understand. Do this before the free look period ends. The free look period gives you 10 days to look at the contract once it is received. During the free-look period, you can return the contract and request a full refund.*