

LIFE INSURANCE:

Securing Your Family's Financial Future in Case of Unexpected Death

Would your family suffer financially, were you to die unexpectedly? According to research conducted for the National Association of Insurance Commissioners (NAIC), less than half of young families have life insurance for either spouse that they have purchased on their own. Because planning for life's uncertainties will help secure a financial future for those you love, the NAIC suggests you review your insurance needs to help ensure you have the right policy for your financial situation and your family composition.

Decide How Much You Need

The first step to purchasing life insurance is to decide how much coverage you need, for how long and what you can afford to pay.

Keep in mind the major reason you buy life insurance is to cover the financial effects of an unexpected or untimely death. Life insurance also can be one of many ways to plan for the future.

Here are some questions to ask before buying:

- How much of the family income do I provide? If I were to die, how would my survivors, especially my children, get by? Does anyone else depend on me financially, such as a parent, grandparent, brother or sister?
- Do I have children for whom I'd like to set aside money to finish their education in the event of my death?
- How will my family pay final expenses and repay debts after my death?
- Do I have family members or organizations to whom I would like to leave money?
- Will there be estate taxes to pay after my death?
- How will inflation affect future needs?

When considering your coverage, be sure to factor in life insurance you currently have, including group insurance where you work or veteran's insurance. Don't forget to include benefits from Social Security or survivor's benefits from a pension plan.

The Right Kind of Policy

All policies are not the same. Once you have determined how much coverage you need, it's time to find out more about the types of policies available. There are two basic types of life insurance: term insurance and cash value insurance.

A **term life insurance** policy covers you for a specific number of years, or term, such as 10, 20 or 30 years. It pays a death benefit only if you die in the insured term. Term insurance generally offers the largest insurance protection for your premium dollar. A term life policy has lower premiums than a cash value policy of the same amount; however, it does not build up cash values that can be used in the future.

For a **cash value life insurance** policy, premiums are higher at the beginning than they would be for the same amount of term insurance. With a cash value life insurance policy, the part of the premium that is not used for the cost of insurance is invested by the company and builds up cash value. You may borrow against the policy's value, use the cash value to increase your income in retirement or even help pay for needs, such as a child's tuition, without canceling the policy. Cash value life insurance may be one of several types, such as whole life, universal life or variable life.

Before You Buy

After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money. A simple comparison of the premiums is not enough. There are other things to consider. For example:

- Do premiums or benefits vary from year to year?
- How much do the benefits build up in the policy?
- What part of the premium or benefits is not guaranteed?
- What is the effect of interest on money paid and received at different times on the policy?

Remember that no one company offers the lowest cost at all ages for all kinds and amounts of insurance. You should also consider other factors:

- How quickly does the cash value grow? Some policies have low cash values in the early years that build quickly later on. Other policies have a more level cash value build-up. A year-by-year display of values and benefits can be helpful. Your insurance agent or company will give you a policy summary or an illustration that shows benefits and premiums for selected years. Be sure to ask questions to help ensure you fully understand the policy summary.

- Are there special policy features that particularly suit your needs?
- Do you understand how non-guaranteed values are determined? Ask your agent how the policy is affected by interest rate changes, changes in mortality (deaths), profits of the company, changes in the value of the investments supporting the policy, and changes in other key factors.

More Information on Life Insurance

For more information about selecting the right life insurance policy for your family, go to www.InsureUonline.org. The NAIC's free, downloadable guide to buying life insurance can be found at www.naic.org/consumer_home.htm.

Stop. Call. Confirm.

Before buying, be sure you are dealing with a reputable insurance agent and company. The NAIC recommends you STOP before signing anything or writing a check; CALL your state insurance department — contact information is available at www.naic.org; and CONFIRM the company offering insurance is legitimate and licensed in the state.

Your State Insurance Department

If you have additional questions, contact your state insurance department. Find a link to your state insurance department's Web site by visiting www.naic.org and clicking on "NAIC States & Jurisdictions."