

To meet your life insurance needs, consider what life insurance you already own, including any group life insurance where you work, veteran's life insurance, Social Security, and pension plan survivor's benefits. Add other assets you have: savings, investments, real estate, and personal property. Which assets would your family sell or cash in to pay expenses after your death?

**The following questions will help you discover your life insurance needs.  
How much of the family income do I provide?**

- If I were to die early, how would my survivors, especially my children, get by?
- 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 your future life insurance needs?

## **Life Insurance Types**

All Life Insurance is not the same. Some life insurance offers lifetime coverage while others cover you for a specific number of years. Some life insurance policies build up cash values while others do not. Some policies combine different kinds of insurance, while others let you change from one kind of insurance to another. Some life insurance policies may offer other benefits while you are still living. Your choice should be based on your needs and what you can afford.

**There are two basic life insurance types: term insurance and cash value insurance.**

Term insurance policies generally have lower premiums in the early years, but do not build up cash values that you can use in the future. You may combine cash value life insurance with term life insurance for the period of your greatest need for life insurance to replace income.

- Term Life Insurance
- Cash Value Life Insurance
- Whole Life Insurance
- Universal Life Insurance
- Variable Life Insurance
- Spousal Insurance

## **Life Insurance Illustrations**

You may receive a life insurance illustration from the insurance company when of buying a life insurance policy where cash values, death benefits, dividends or premiums may vary based on events or situations the company does not guarantee (such as interest rates).

The life insurance illustration will show how the benefits that are not guaranteed will change as interest rates and other factors change.

The life insurance illustration will show you what the company does guarantee.

The life insurance illustration will also show you what could happen in the future. Please remember that nobody knows what will happen in the future.

You should be ready to adjust your financial plans if the cash value doesn't increase as quickly as shown in the life insurance illustration. You will be asked to sign a statement that says you understand that some of the numbers in the illustration are not guaranteed.

## **Finding Value In Life Insurance Policies**

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

### **Questions to ask while comparing Life Insurance Policies**

- Do the life insurance premiums or benefits vary from year to year?
- How much cash value builds up under the life insurance policy?
- What part of the insurance premiums or benefits are not guaranteed?
- What is the effect of interest on money paid and received at different times on the life insurance policy?

Once you have decided which type of life insurance policy to buy, you can use a cost comparison index to help you compare similar insurance policies. Life insurance agents or companies can give you information about several different kinds of indexes that each work a little differently.

One type helps you compare the costs between two insurance policies if you give up the policy and take out the cash value. Another helps you compare your costs if you don't give up your insurance policy before its coverage ends. Some help you decide what kind of questions to ask the insurance agent about the numbers used in an insurance illustration. Each index is useful in some ways, but they all have shortcomings. Ask your life insurance agent which will be most helpful to you. Regardless of which index you use, compare index numbers only for similar life insurance policies - those that offer basically the same benefits, with premiums payable for the same length of time.

**Remember that no one company offers the lowest cost at all ages for all kinds and amounts of life insurance.**

**You should also consider other factors:**

#### **How quickly does the cash value grow?**

Some life insurance policies have low cash values in the early years that build quickly later on. Other life insurance policies have a more level cash value build-up. A year-by-year display of life insurance values and benefits can be very helpful. (The life insurance agent or company will give you a policy summary or a life insurance illustration that will show benefits and premiums for selected years.)

#### **Are there special life insurance policy features that particularly suit your needs?**

How are non-guaranteed values calculated? For example, interest rates are important in determining life insurance policy return. Within some life insurance companies, increases reflect the average interest earnings on all of that company's insurance policies regardless of when issued. In others, the return for life insurance policies issued in a recent year, or a group of years, reflects the interest earnings on that group of insurance policies; in this case, amounts paid are likely to change more rapidly when interest rates change.

### **Additional Considerations For Life Insurance**

#### **Regularly review your life insurance coverage!**

Reviewing Your Life Insurance Coverage Regularly review your life insurance coverage, or your family could find themselves disappointed, frustrated, and in a financial crisis at a time when you are no longer with them. Changes like family circumstances, marriage, divorce, and the birth of children should key in a review of your additional needs. All current life policies should be reconsidered. Coverage amount will need to be re-adjusted and beneficiary changes may also be in order.

Also, review these new events as to the impact on your financial situation. A new mortgage or mortgage payoff, receiving an inheritance, or starting a new business, all require an adjustment in your level of life insurance.

### **Buying The Correct Amount Of Life Insurance**

We all have our own particular needs. Depending on your age, whether you have children, what you earn, what your spouse earns, or how much money you have saved. Also important are the amount, type and duration of your obligations -- home mortgage, college education, plus other loans and obligations. The key starting point is to estimate how much income your family will need on an annual basis and how long your family will be dependent on this income. Once this is determined you can calculate the amount of insurance that will be needed to generate the required income for the desired period. Inflation must be considered in your accounting.

### **Postponing Life Insurance Purchases**

The cost of life insurance is dependant on two factors, your age and your health. Premiums are calculated on your age and your health condition at the time of application for insurance is completed. Money alone is not enough to purchase life insurance. If you need life insurance do not postpone your purchase decision you may not be able to obtain the required coverage in the future.

### **Consider Insuring Your Spouse and/or Children**

In reviewing your life insurance needs you should consider the effect the potential loss of your spouse would have on your family's finances.

The unexpected death of a spouse or child can and will effect your family's finances. Spousal income replacement must be considered. If your spouse is not employed, additional cost such as child care will come into play. In either case, in reviewing your life insurance needs you should consider the effect the potential loss of your spouse would have on your family's ongoing finances. Consider your children. A small amount of life insurance coverage is advisable to cover potential funeral costs. One might also want to consider the low cost of buying life insurance on children. They will need life insurance in the future and their health condition or ability to pay the premium for amounts needed may make buying life insurance on children a smart long term financial choice.

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