



LIFE INSURANCE

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It Takes Two... Ask Yourself: How Much? and What Kind?

Buying life insurance may seem like a daunting task, but it doesn't have to be. You just need to focus on two simple questions -- How much coverage do I need? and What kind should I buy? Answering these two questions -- in the right order -- will go a long way toward helping you get the coverage you need to protect your family.

The nonprofit Life and Health Insurance Foundation for Education (LIFE) breaks down the basic components of these important questions:

1. **How much?** The answer isn't really about how much life insurance you need, it's how much money your family will need after you're gone.

- First, gather your records and estimate what your family would need to meet current and future financial obligations. This includes what it would cost to cover funeral expenses and debts, daily living expenses, as well as future college or retirement plans.
- Next, tally up all of the resources that your family members could draw upon to support themselves, such as your spouse's salary or other income, savings, and investments.

The difference between your family's needs and existing resources is how much life insurance coverage you should consider. As a general rule, industry experts recommend having 10 to 20 times your gross annual income, and that you regularly reevaluate your coverage at important life milestones – such as having a baby, buying a new home or changing jobs. LIFE's interactive life insurance needs calculator (www.life-line.org/lifecalculator) will help you start crunching the numbers.

2. **What kind?** There are many kinds of life insurance, but generally policies fall into two categories:

- Term life insurance provides protection for a specific period of time, or "term," and pays a benefit if you die during the term. This type of insurance makes sense when you need coverage for only a specific amount of time – for instance, until your children graduate from college or a particular debt is paid off, such as your mortgage. One of the biggest advantages of term insurance is the lower premium costs compared to permanent insurance.
- Permanent life insurance provides lifelong protection. As long as you pay the premiums, and no loans, withdrawals or surrenders are taken, the full death benefit will be paid upon your death. Permanent life insurance also accumulates cash value over time. Although its premiums are generally higher than those for term, you can lock-in a rate that won't change over time, even if your health does (see [The Whole Story of Whole Life Insurance](#)).

LIFE's interactive decision tree (www.life-line.org/whatkind) can walk you through considerations to help you decide what kind of life insurance might be right for you.

To accurately determine your insurance needs and what type of life insurance to buy, LIFE always recommends that you meet with a qualified insurance professional. You can use LIFE's agent locator tool (www.life-line.org/agentlocator) to help you find insurance professionals in your area. For more information on life insurance and choosing a financial professional see [Looking for Mr. Right: 6 Tips for Finding a Good Life Insurance Agent](#) or log-on to www.life-line.org.