

Frequently Asked Questions About Life Insurance

Who needs life insurance?

If someone depends on you, you probably need life insurance. If you were to die today, life insurance would provide cash to your dependents that can help meet everyday living expenses, pay down the mortgage, finance longer-term goals like education and retirement, and generally maintain their quality of life.

Where do I begin?

Start by evaluating your family's needs. Gather all your personal financial information and estimate what your family members would need to meet current and future financial obligations and maintain their quality of life if you were gone. Include ongoing expenses (such as day care, tuition, continuation of a business or retirement), and immediate expenses at the time of death (such as debts, medical bills, burial costs and estate taxes).

How much life insurance do I need?

While there's no substitute for evaluating one's needs with the aid an insurance or financial advisor, one rule of thumb is to buy life insurance equal to five to ten times your annual gross income. To get a sense of how much coverage you need, you can visit the Insurance Needs Calculator at the Life and Health Insurance Foundation for Education's Web site, www.life-line.org.

What are the different types of life insurance?

There are many kinds of life insurance, but they generally fall into two categories: term insurance and permanent insurance. Term insurance is designed to meet temporary needs. It provides protection for a specific period of time (the "term") and pays a benefit only if you die during the term. In contrast, permanent insurance provides lifelong protection. As long as you pay the premiums, and no loans, withdrawals or surrenders are taken, the full face amount will be paid. Because it is designed to last a lifetime, permanent life insurance accumulates cash value and is priced for you to keep over a long period of time.