

The Truth about Life Insurance



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While there are many questions about life insurance, the truths can help guide your life insurance journey. It's time to check your course!







Life insurance:

Discovering the truth behind 10 common misconceptions

You have many choices with your money — how to spend, save and grow it. You may feel overwhelmed by your financial decisions, but the choices become easier when you have trustworthy guidance and a clear view of the big picture.

Life insurance, simply put, pays a benefit amount to your beneficiary if you pass away while the coverage is in force. Your beneficiary — typically a spouse, partner and/or another loved one — can use this money to replace your income, care for your dependents, pay off debts and meet other financial obligations.

You may have some life insurance as a benefit through your employer. And you may have considered purchasing more life insurance, but you're not sure whether you need it — or even if you can afford it. If you have questions, now is a great time to find the answers.

Let's look at 10 common misconceptions about life insurance to help you understand your choices, protect yourself and your family, and prepare for your future.



1 “Isn’t life insurance only for after I am gone?”

No. Life insurance provides a death benefit to your beneficiaries after you pass away, and it can provide benefits while you’re living, too. The death benefit helps your family face the future without you, financially. Your dreams for your family or business don’t go away if you pass away. Life insurance can help make those future plans a reality for the loved ones you leave behind.

While you are living, whole life insurance accumulates cash value. You can access the cash value amount during your lifetime, as part of an overall strategy to provide income during your retirement, fund your children’s education or fulfill other dreams. Both term and whole life insurance also can advance your death benefit if you have a terminal illness.

2 “Can I actually afford life insurance?”

You have many affordable options in financial protection. In fact, the cost of life insurance may surprise you. Research shows the 80 percent of consumers mistakenly think life insurance costs more than twice what it actually does.¹

In the same way you buy insurance to protect your phone, autos, home and other valuable assets, you can buy life insurance to protect the people you love and who depend on you. Consider how important your family is and how many goals you have for the future. Financial protection is important in making these goals a reality.

1. 2015 Life Insurance Barometer Study. Life Happens and LIMRA 2015.



3 “Shouldn’t I buy term insurance and invest the difference?”

If you’ve ever heard this advice, consider two questions:

1. How will you really invest the difference?
2. Are you disciplined enough to continually make this investment?

Even with the best intentions, you might easily be tempted to spend the difference on clothing, vacations and improving your standard of living. At the same time, investments have risk, and you risk losing some or all of the money you invest.

When considering cost, term life insurance is cheaper than whole life initially. One of the most popular forms of term protection costs more every year; other types have a level cost for a set time, such as 30 years. After that, the cost increases every year and can become more expensive than other types of coverage.

By contrast, the cost for whole life is guaranteed never to increase.

Depending on your budget and long-term goals, you may find it makes good financial sense to purchase both term and whole life insurance protection.

Perhaps you want some coverage for a short term — for example, to make sure the mortgage could be paid off if something happened to you — and you want to secure lifetime protection. Many life insurance companies allow you to obtain permanent and term coverage in one policy.



4 “Don’t I just need enough life insurance to cover my daily expenses?”

Your life is worth far more than the total amount of your car payment, mortgage and other monthly bills. Life insurance can help replace the income you would have earned for your family during your lifetime. The care, support and love you give your family also have worth. Help your family by addressing the gap that would exist if you weren’t there.

50% of U.S. households would feel the financial impact from the loss of the primary wage earner in less than one year.

Source: “Facts from LIMRA/Life Insurance Awareness Month” LIMRA September 2015.



5 “Is it true that I should purchase life insurance equal to twice my annual income?”

Different tools, such as life insurance calculators, can provide a basic idea of the coverage amount you should consider for yourself and your family.

Nothing can replace a loved one, but if something were to happen, you would want to receive the maximum possible benefit amount so loss and grief are not compounded by financial problems.

A person's worth is not determined by simple multiplication. True value is the culmination of all you do, love and provide.



6 “I have group life insurance at work. Is this all the life protection I need?”

Employer-provided group life insurance is an excellent benefit. But in most cases, you lose your coverage or can convert only a portion to permanent insurance if you lose your job, quit or retire. Often, group life insurance is not sufficient to meet your family’s total needs. Evaluate the benefit, consider your goals and needs, and ask, “Is this benefit enough?” If not, additional life insurance may be in order.

7 “Can people in poor health qualify for life insurance?”

Life insurance is available in many different circumstances, and companies assess risk individually. No one should assume coverage is beyond reach because of health conditions. An individual may be able to qualify for a standard rate or pay a slightly higher rate. There’s no way to know until he or she has applied and the application is evaluated.



8 “I’m young. Why would I need life insurance now?”

Life insurance becomes more expensive to purchase with each year you age. But when you buy term life or limited-pay whole life insurance, you lock in your payment for a certain period. For whole life insurance, the rate is guaranteed never to increase.

Life can bring unexpected events, including health conditions that could keep you from qualifying for coverage later, if you decide to wait.

Securing life insurance protection early on gives you more time to accumulate “living benefits,” namely a cash value that can help with a future home purchase, college education or your dream wedding.

No matter what expenses you’re paying today — a mortgage, car loan or student loans, for example — life insurance can help protect your family’s finances if something happens to you.



9 “My spouse is the sole breadwinner, and I stay home with the children. Why would I need life insurance?”

You may not earn an actual paycheck, but you definitely add economic value to your family, just as the breadwinner does. Both of you help maintain your family's standard of living. If either of you died, the surviving spouse would have to make adjustments. The homemaker would have to recover the breadwinner's income, possibly having to work while helping the family rebuild. And if the homemaker passed away, the working spouse would have to take on all of the household responsibilities or hire someone to help.

Life insurance provides immediate, necessary income to help families rebuild and alleviate their financial stress.



10 “We’re age 65, empty nesters and retired, and our home is paid off. Do we really need life insurance?”

Life insurance can help represent the legacy you want to give your children after you’re gone. If you purchase whole life insurance with guaranteed cash value growth, you have money available in retirement that — can be used as part of your Social Security survivor strategy or as part of a pension maximization strategy.

Life insurance actually can help you on your journey to a comfortable retirement. Plus, life insurance can help enhance your other financial assets. You’ll have comfort and confidence knowing that if you spend the funds in your annuities and qualifying plans, your life policy’s cash values can help you maintain your lifestyle.

Life insurance also can help you preserve your estate and fund your grandchildren’s college tuition.

Note: Life insurance should be purchased by individuals that have a need to provide a death benefit to protect others with insurable interests in their lives against financial loss. Life insurance is not a retirement plan, investment, or savings account. Life insurance policies' cash values are not considered liquid. • Guarantees are subject to the claims paying ability of the issuing insurance company. • Withdrawals and cash value loans from a life insurance policy can reduce the policy's death benefit and cash value. Cash value loans are taxable if the policy is surrendered or terminates before the insured's death and the cash value exceeds the policy's cost basis. • Provided content is for overview and informational purposes only and is not intended as tax, legal, fiduciary, or investment advice.

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