

## **Life Insurance Buyer's Guide**

This short guide provides basic information about life insurance to help when determining if you need life insurance.

### **1. Review Your Insurance Needs**

Life insurance pays a death benefit if you die while the policy is in effect, in exchange for premiums you pay prior to your death. The death benefit can be used to protect against financial hardships such as loss of your income, funeral expenses, medical or nursing care expenses, debt repayments, and child care costs. Talk to an insurance agent. He or she can help you evaluate your insurance needs and give you information about available policies.

### **2. Decide How Much Coverage You Need**

How much of the family income do you provide? Does anyone else depend on you financially? How will your family pay final expenses and repay debts after your death? The answers to these questions can help you decide if you need life insurance, how much coverage you need and how long you need it. Keeping in mind what you can afford to pay, consider buying enough life insurance to cover the financial effects of your death.

### **3. Assess Your Current Life Insurance Policy**

It is important to compare your current policy with a new policy. Keep in mind that you may be able to change your current policy to get benefits you want. Also, keep in mind any changes in health may impact your ability to get a new policy or impact your rates, so do not cancel your current policy until you receive the new one. Once you receive the new policy, you can read and return the policy within a certain period, usually 10 days (called the Free Look Period) for a full refund. The Free Look Period is usually found on the first page of the policy.

### **4. Compare The Different Kinds of Insurance Policies**

There are two basic types of life insurance: term insurance and cash value insurance. Term insurance generally has lower premiums in the early years, but most do not build up cash values that you can use in the future. Cash value life insurance may be one of

several types: whole life, universal life and variable life. Your choice should be based on your needs now and in the future and what you can afford.

#### **5. Be Sure You Can Afford the Premium Payments**

Before purchasing a life insurance policy, be sure that you can handle the premium payments. Can you afford the initial premium? If the premium increases later, will you still be able to afford it?

#### **6. Have an Insurance Agent Help You Evaluate the Future of Your Policy**

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. Ask your agent for a year-to-year display of values and benefits.

#### **7. Understand Renewal Policies**

You can renew most term insurance policies for one or more terms even if your health has changed. Each time you renew the policy for a new term, premiums may be higher. Ask what the premiums will be if you continue to renew the policy. Also ask if you will lose the right to renew the policy at a certain age.

#### **8. Read Your Policy Carefully**

After carefully reading your policy, you should be able to answer the following important questions:

- Do premiums or benefits vary from year to year?
- How much do the benefits build up in the policy?
- What part of the premiums or benefits is not guaranteed?
- How will the timing of money paid and received affect interest?

Your agent can help you understand things that are unclear.

#### **9. Review Your Life Insurance Program Every Few Years**

How will inflation affect your future needs? Do you need more insurance when your family size increases? Review your policy with your agent every few years to keep up with changes in your income and needs.