

## Want to Purchase Life Insurance? Tips to Help You Through The Process

*We all want to make sure our loved ones are taken care of after we pass. Life insurance can help make sure our families are prepared for financial hardships.*

### TOP CONSIDERATIONS

#### Types of policies:

- A **term life insurance policy** pays out if you die during the policy term. It might be appropriate if you are the primary wage earner for your family or if your spouse relies on you to pay the mortgage. Term policies are typically written for one, five, ten or twenty years. This type of life insurance is typically less expensive in your younger years than permanent forms of life insurance.
- A **cash-value insurance policy** is permanent life insurance. This policy will provide coverage throughout the policyholder's life. It comes in a variety of forms including whole life, universal life or variable life insurance. These various forms offer a cash value savings component which can be used for a variety of purposes including loans, as a source of cash or to pay the policy premium.

#### Questions to consider when determining what type of policy to buy:

- How many people are dependent on you financially?
- Will you have substantial debt and taxes owed after your death?
- Do you have alternatives to life insurance, such as savings accounts or other investments that could take care of expenses after your death?

#### Key terms to understand:

- **Primary beneficiary:** Receives the policy benefit (a portion or whole, depending on whether or not there are other beneficiaries) if they outlive the policyholder.
- **Contingent beneficiary:** Receives proceeds if a primary beneficiary dies before the policyholder.
- **Beneficiaries vs. estate:** Naming individuals as beneficiaries rather than part of your estate allows those individuals to receive the proceeds immediately, and generally without taxation. As part of your estate, the proceeds will typically go through probate with the rest of your assets and might be subject to estate tax. Your Will does not affect the distribution of your life insurance proceeds unless the sum goes to your estate to be divided according to the Will.

## HOW TO PROTECT YOURSELF

**Comparison shop:** Life insurance is a competitive marketplace, and much of that competition is focused on price. After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money.

**Know your company:** Check the financial stability of the insurance company. There are several reputable rating companies that will help you do this. Some of these ratings are available at public libraries. Check with your state insurance department to verify that the company is authorized to do business in Nebraska.

**Read your policy carefully before signing:** Never buy a policy you don't understand. If you are given illustrations or booklets, save these materials with your policy. Make sure you understand the guarantees in your policy and the surrender penalties if you choose to drop the policy at any time. Ask your agent or company about anything that is not clear to you.

**Regularly review your policy and update accordingly:** Every few years, review your life insurance program with your agent or company and keep up with changes to income and your needs. Double check that your beneficiaries are still the same. Review your net worth to reconsider the prospects your survivors may face when you pass away.

**Consider replacement cost:** It may be costly to replace your insurance if you change your mind during the early years of the policy. Don't drop one policy and buy another without a thorough study of the new policy and the one you currently have.

## TOP THREE THINGS TO REMEMBER

1. Review your needs and determine how much life insurance to buy. Consider your financial responsibility to your dependents and what expenses there might be after death.
2. Get quotes from multiple companies and research each insurer to make sure it is reputable.
3. Don't sign anything you don't understand. Ask your agent or insurer if you have any questions about your policy.

## More Information

If you have insurance-related questions or concerns, please call the Department's toll-free hotline at 1-877-564-7323. Additional information is available on the Department of Insurance website at [doi.nebraska.gov](http://doi.nebraska.gov).