

## **Life Insurance Roadmap**

### **Understanding a Life Policy at Different Life Stages**

*Life insurance may seem like something you only need to think about at a certain age. However, these policies offer various benefits that may be useful at different life stages. If you have a policy, it's important to review it with your agent every few years to keep up with changes in your family status, income and needs. At the same time, make sure your beneficiary is aware of the existence of the policy. The following tips are offered to learn more about life insurance.*

### **Life Insurance Basics**

Life insurance can provide financial protection for loved ones should the policyholder unexpectedly die. It comes in two main forms: term insurance and whole life insurance.

- Term life insurance will pay out if you die during the policy term. This type of policy may 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 1, 5, 10 or 20 years. This type of life insurance is typically less expensive in your younger years than permanent forms of life insurance such as whole life.
- Whole life insurance (also known as permanent life insurance) policies build cash value and pay a death benefit, and are more expensive at younger ages than term life insurance policies. The cash value is the accumulation of premiums collected minus expenses and charges.

If you can't afford whole life insurance right now but think you may want it in the future, you may want to consider term life insurance with a conversion option that will let you change to a whole life policy for a fee later.

### **Under 18**

Buying life insurance policies for children is quite commonly used as a way to pay for burial expenses if a child passes away prematurely. It is also a good way to guarantee a child's insurability as an adult, regardless of future health or occupation.

### **Young Adults**

Twenty-somethings are one of the groups least likely to purchase life insurance. If you have a full-time job, your employer might offer life insurance. These policies typically cover income replacement equal to your salary for a year or two.

However, that amount may not begin to cover a mortgage or student loan debt. If you pass unexpectedly and someone has co-signed a loan for you, they are responsible for your debt. A policy that covers the amount owed to lenders can protect loved ones from your financial burden if something happens.

If you think you need additional coverage, term life insurance is low-cost and covers you for a set period of time. A twenty-year policy can cover you while you build a family. Conversely, permanent life insurance costs more than term, but will cover you for life.

If you have a whole life policy with cash value, you can borrow money from it up to the amount of the surrender or loan value. Do this with caution as the amount you borrow from the life policy reduces the amount your beneficiaries will receive if you die. Unlike a conventional loan, you don't have to pay a policy loan back. However, you will be charged interest on the loan. If the policy lapses, the outstanding loan will generally be treated as an amount received and you may be faced with a taxable event. Do your research to make sure you know the actual cost of borrowing from your whole life policy.

## **Established Adults**

As an established adult in your 40s or 50s, you may be paying for your children's college and looking for more coverage. However, if your house is paid off and your kids are financially independent, you may not need as much coverage. As you get older, life insurance becomes more expensive. Reach out to different insurers to see what the most affordable premium would be for your needs.

You can also consider purchasing more coverage through your employer-sponsored policy. If you know you'll be retiring in the next few years, start to look for other policies as you'll lose coverage if your job situation changes. You can also see if you can transfer the policy when you do retire.

An insurance agent may be able to assist you in identifying other types of life insurance or annuities that suit your particular situation.

Also consider if you have alternatives to life insurance, such as savings accounts or investments, that can help take care of funeral and burial expenses. You may find you no longer need as much, or any, life insurance as you age.

## **Retired**

If you have retired, you will likely no longer be covered by a previous employer's term life insurance policy.

Make sure to update your beneficiaries. If you've been widowed or decide to make a grandchild a beneficiary, contact your company to designate a new beneficiary. Also, make sure to provide the beneficiary with your policy information including the company and policy number.

## **More Information**

If you have insurance-related questions or concerns, please contact the Nebraska Department of Insurance locally at 402-471-2201, or call its toll-free consumer hotline at 1-877-564-7323. Additional information is available on the website at [doi.nebraska.gov](http://doi.nebraska.gov).