What Is Life Insurance?

Life insurance acts as a financial safeguard for your loved ones after your death. By paying regular premiums, you allow the insurer to pay a specified amount (the "death benefit") to designated beneficiaries upon your passing. This financial aid helps cover daily expenses, mortgages, and educational costs, ensuring your family's security during tough times. Life insurance mainly comes in two types: term and permanent. Term life covers a specific period, while permanent life policies, like whole life or universal life, offer lifelong coverage.

How to Find the Best Life Insurance Policy?

When searching for life insurance, assess carriers based on their financial strength, as stronger firms typically maintain lower rates over time and provide better customer support during economic downturns. Avoid assuming price competitiveness; each insurer has a unique pricing strategy, especially for cash value policies where differences can significantly affect long-term returns. Request detailed cost information, including expense charges and the actual cost of insurance, when comparing quotes. Finally, thoroughly review universal life illustrations, particularly the detailed expense pages or policy accounting pages, as lower-premium products may have higher internal costs, diminishing future cash value growth.

What are the different types of Life Insurance?

There are two primary types of life insurance: term life and permanent life.
Term Life Insurance.

What is Term life insurance?

Term life insurance is a policy where you select the duration of coverage, such as 10, 15, 20, or 30 years. If you die within that term, your beneficiary receives the death benefit. If you outlive the term and don't renew the policy (at a higher cost), there is no death benefit. Term life insurance is ideal for those who want to address specific financial concerns, like income replacement during their working years.

What is Permanent life insurance?

Permanent life insurance provides a guaranteed death benefit payout upon the policyholder's death, regardless of timing. It also includes a cash value component that accumulates tax-deferred interest over time. Whole life and universal life are common types of permanent life insurance. These plans are suitable for individuals looking to support dependents, establish trusts for heirs, build retirement wealth, or seek lifelong coverage with flexible premiums.

What is Whole life insurance?

Whole life insurance is predictable because the premiums, rate of cash value growth, and amount of the death benefit are fixed and guaranteed.

What is Universal life insurance?

This type of insurance offers more flexibility, allowing you to adjust premium payments and death benefits within certain limits. The cash value growth depends on the insurer and the performance of the invested assets underlying the policy. Types of universal life insurance include fixed-rate universal, guaranteed universal, indexed universal, or variable universal.

What is Variable life insurance?

Variable life insurance offers flexibility, allowing you to control investment choices for your cash value, which can lead to potential growth. However, there is a guaranteed minimum death benefit, ensuring financial protection regardless of market performance. Unlike variable universal life policies, premiums cannot be altered throughout the term. Cash value accumulation is possible, providing additional funds during your lifetime, but maintaining a minimum balance is crucial to prevent policy lapsing.

What is No-Exam Life Insurance?

No-exam life insurance policies do not require a medical exam but may involve answering health-related questions.

What is guaranteed issue life insurance?

Guaranteed issue life insurance requires no medical exam or health questions, and you cannot be turned down.

What is Burial insurance?

Also known as funeral insurance or final expense insurance, burial insurance typically has a small death benefit intended to cover final expenses, such as $10,000.

What is mortgage life insurance?

Mortgage life insurance pays off your mortgage if the policyholder dies, with the payment going directly to the mortgage lender.

How Much Does a Life Insurance Policy Cost?

The average cost for a 10-year, $250,000 term life insurance policy for a 40-year-old man is $192 annually, compared to $276 annually for a $500,000 policy and $420 annually for a $1 million policy. For a 40-year-old woman, the average cost is $168 annually for a $250,000 policy, $264 annually for a $500,000 policy, and $336 annually for a $1 million policy.

What Does Life Insurance Cover?

Life insurance covers death from illness, accidents, and old age, including diseases, falls, car accidents, and Covid. Deaths from accidental drug overdoses are also covered. A specific type of life insurance, called accidental death and dismemberment, covers only accidental deaths, such as falls or car crashes, but not deaths from illness, disease, or old age.

Do I Need Life Insurance?

If someone relies on you financially—either now or after your death—you might need life insurance. Many purchase life insurance to provide income replacement for their families in the event of an unexpected death. Some use life insurance to fund a trust for providing financial support after their death, such as for a child with special needs. Other common reasons for buying life insurance include:

- Covering funeral costs.
- Providing money for family members to pay off a mortgage or other debts.
- Ensuring funds for children's college tuition if a parent dies.
- Creating supplemental income during retirement years through a cash value policy.
- Providing funds to pay estate taxes for beneficiaries inheriting large taxable estates.