

# What is life insurance?

From how it works to how much you need, get your life insurance questions answered here.

Life insurance can feel complicated and overwhelming, but at its core, it's a pretty simple way to plan for the financial future of the people you love. Learning what life insurance is now can help you make informed decisions about the right ways to keep your family protected.

Life insurance is a tool to help make sure what you want to happen, will happen. And that's really what it's all about. None of us can predict the future. Most of us hope to be around for a long time. We want to grow old with our families, run our business until we're ready to retire, give back to our communities for years to come. But one thing that's guaranteed about the future is that it has no guarantees, and we don't know how long we'll live. Life insurance is a way to help protect against this uncertainty. Whether it's paying off the mortgage, other debt or helping to pay for college, the type of life insurance you choose can be there when it's needed most by your loved ones.

## How does life insurance work?

[How life insurance works](#) is pretty simple. You buy a life insurance policy and [name a beneficiary](#) to receive the death benefit. If the policy is active when you pass away, your beneficiary will receive that death benefit. Your family may be able to stay in their home, stay in the same schools and keep living the life you've dreamed for them. And while most people buy life insurance because they want to protect their family or leave money to a favorite charity, it also offers a lot of benefits for [small business owners](#) such as allowing the remaining partners to buy out the deceased partner or possibly using the cash value during a downturn. If you have a business to protect or an organization you're passionate about, an agent can help you understand your life insurance options.

## How much does life insurance cost?

Agents also get a lot of questions about the cost of life insurance, and it can be helpful to look at cost in two different ways - the cost of having it, and the cost of not having it.

- **The cost of having life insurance** — The cost of life insurance varies, based on factors like the [type of life insurance](#) you purchase, [the amount of life insurance coverage](#) you want, your health and your age. The younger you are, the more affordable it typically is.

It will cost you less today than it will tomorrow. That doesn't mean it becomes unaffordable as time goes on though, and most people think life insurance is more expensive than it actually is. Sitting down with an agent to talk through your budget and your goals can help you find the protection that makes the most sense for you.

- **The cost of not having life insurance** — Take a moment and think about what you provide for your family now. Do you provide income they need for the mortgage and other expenses? Do you contribute to their future savings? Do you help with child care? Cooking? Shopping? Home maintenance? Now imagine if you weren't here. What would your family's life be like without you in it? How would they be affected financially? What would the cost to their future be without life insurance? That's the cost of not having it.

## Types of life insurance

Though life insurance serves the same basic need (providing a death benefit if something happens to you), different [types of life insurance](#) work in different ways and offer additional benefits. Patrick Blevins, State Farm® agent in Lexington, Virginia, likes to put life insurance into two categories - short-term protection and long-term protection.

- **Short-term protection** — [Term life insurance](#) falls into this category "It's like renting a place," says Blevins. You buy a policy for a specific amount of time, commonly for 10, 20 or 30 years. If you die during that time, your beneficiary receives the death benefit. If you're still alive at the end of that time, your policy ends or you can visit with your agent and explore other life insurance options. "What's good is that you can buy a lot of coverage for not a lot of premium."
- **Long-term protection** — This is how Blevins often refers to permanent life insurance, which includes variations such as [whole life insurance](#) and [universal life insurance](#). He describes it as "owning a home, it's yours. "It's lifelong coverage and, like term coverage, provides a death benefit to your beneficiary if you die. It also offers several living benefits including accumulation of cash value at a guaranteed interest rate and preferential tax treatment. A lot of Blevins' customers like the cash value aspect of a permanent policy. "As the cash value of their policies grows, they like knowing there's money they can access in an emergency, to help with college expenses or to help supplement retirement income."

Some people find that one type of policy satisfies all their needs, while others select a combination of different coverages. Every individual's situation is different, and talking to an agent can help you sort it all out. Your needs will likely evolve over time too, so it's a good idea to review your policies regularly to see if you need to make adjustments as changes happen in your life.

## How much life insurance do I need?

[How much life insurance you need](#) will depend on your own unique situation. Some people rely on the group life coverage they have through work, but once they sit down

and look at their goals for their family, they find it's not enough. Plus, if you change jobs or lose your job, your group coverage won't go with you.

When determining [how much life insurance you'll need](#), look at your family size, all sources of income, the value of your home and all your debt. And for that debt, you'll want to be sure to factor in every expense you might have today and in the future — mortgage or rent, clothing, food, utilities, car loans, future education costs — and don't leave anything out.

It comes down to what you "want" for your family. What do you want for them if you're not here? Do you want your family to be able to stay in your home? Do you want your spouse to be able to stay home and care for your family? These are most likely things you would "want" for them if you were to pass away.

When you start looking at everything in your life that goes into how much life insurance you need, it can feel overwhelming. That's why State Farm agents are here. They can help break it all down and help you find the coverage you need.

## **Is life insurance worth it?**

You can probably answer this question by asking yourself another question — what would life insurance mean to my family if I wasn't here? If it would make a big difference, then your answer to "[Is life insurance worth it?](#)" is likely a yes.