



Life Insurance

Life insurance terminology

Beneficiary: The person or organization designated by a policy holder to receive the proceeds from an insurance policy.

Policy proceeds: The money that is paid to a beneficiary as a result of an insurance policy.

Term: The period of time for which insurance coverage is provided under a policy, usually 5 to 30 years.

Life Insurance: Peace of Mind is Priceless

There is nothing more reassuring than knowing your loved ones will be taken care of after you are gone. Often people are uncomfortable acknowledging that they need life insurance simply because they are uneasy thinking about the concept of death—especially in relation to their own. But while discussing death can be difficult, planning ahead and purchasing life insurance is one of the most loving ways you can provide for your family, friends and others you care about.

If you have significant financial obligations, a spouse or dependents, you should seriously consider life insurance. Without adequate life insurance coverage for yourself, your loved ones could be left swimming in a sea of debt after you are gone. The next time you sit down to pay bills with your partner, consider: Who would pay for your portion of the mortgage in the event of your death? What about your child's activities, clothes, health care and possible college tuition? Life insurance provides a means to cover these expenses, in addition to medical bills, funeral costs, taxes and more. This type of coverage also allows you to leave a legacy in the form of an inheritance to your children or other beneficiary, such as a charitable organization, after your death.

There are two basic types of life insurance—temporary and permanent. Term life is considered temporary life insurance as it provides flexible, lower-cost coverage for people who need coverage for a period of time—generally from 5 to 30 years. Whole life insurance, on the other hand, is referred to as permanent insurance because it builds up a cash value and affords continuous protection for as long as the premiums are paid.

When compared to whole life insurance, term life insurance offers the most amount of protection for the least amount of money. Term life insurance can also be a less expensive option for families with limited budgets. The basic idea behind term life insurance is pretty simple: If you die during the time frame specified in your policy, your beneficiaries will receive your policy's proceeds.

Life Insurance (continued)

Review Your Policy

Over the course of your lifetime, you may want to combine shorter- and longer-term policies to accommodate your family's changing needs. To ensure you have enough coverage, review your life insurance policy with an insurance agent each time you make a significant change in your lifestyle—not just when your term expires or your policy is up for renewal. Here are some specific life events that may require an increase or decrease in your life insurance coverage:

- The birth or adoption of a child
- Marriage or divorce
- Buying a home or downsizing to a smaller residence
- Changing jobs

With Internet scams and mail fraud on the rise, it's becoming increasingly important that you do your homework when dealing with unfamiliar insurance companies. If you receive a life insurance offer that sounds too good to be true, chances are, it is. Most insurance companies have financial strength ratings from independent organizations such as A. M. Best Company, Standard & Poor's and Moody's Investor Services. To verify insurers' authenticity, look for companies with "A" ratings or better. Or, check prospective insurance companies' complaint records with your state department of insurance.

It's never easy to talk about dying—particularly your own death. But you may find that the subject of mortality is much easier to face when you know that your affairs are in order. In fact, many find great comfort in planning the legacy they will leave for loved ones.