

# Life Insurance

## What does life insurance do?

The purpose of life insurance is to protect against financial losses resulting from death.

## Do you need it?

You need life insurance if your death will cause a financial hardship on the people you are responsible for. Insurance should cover the loss of income and loss of personal services such as a non-working spouse who provides child care.

## How much do you need?

The need for life insurance varies over a person's life cycle. Children and young adults usually do not need life insurance. Families with young children need a lot of insurance. Once the children are grown and self supporting, the need for insurance is reduced. Older people, who have saved for their goals may reach a point where they no longer need life insurance.

## How can I determine how much I need?

The best way to make sure that you have adequate coverage for your needs and do not pay for insurance that you don't need is the "needs" approach. You fill out a worksheet including amounts needed for income replacement, final expenses, college, and other expenses. You reduce this by income available from pensions, government benefits, investments and any other insurance that you have. Many web sites have calculators to help with this.

## What are the main types of life insurance that are available?

**Term Insurance** provides protection for a specific period of time. It may be renewable. Level term locks in the premium for up to thirty years. It is usually the cheapest insurance available.

**Whole Life** combines insurance with a savings component. Part of the premium accrues as cash value. You may be able to borrow against the cash value but borrowing will reduce the death benefit. The premiums will be higher than with term policies for the same amount of coverage. This may make it harder for you to purchase the amount of insurance you need.

**Universal Life** is similar to whole life but may have higher earnings than whole life. These policies also have higher fees and risks.

There are many other factors that should be considered. This brochure is meant to give a brief overview of life insurance and should not be used by itself to make important financial decisions. If you need more information, please refer to the sources below or call us.

## Resources to help you decide

Your state attorney general will have information about scams concerning insurance and can tell you if any formal disciplinary action has been taken against an agent.

State Insurance Departments may have consumer information about insurance including buying guides.



### Yahoo ([finance.yahoo.com](http://finance.yahoo.com))

provides information about insurance and has a calculator to estimate your insurance needs.

### A.M. Best ([ambest.com](http://ambest.com))

provides rating of insurance companies.

### Moody's ([moody.com](http://moody.com))

provides ratings for insurance companies.

Consumer Reports and Money Magazine publish comparisons of typical insurance rates for various policies.

**Quote Smith ([insure.com](http://insure.com)), Master Quote ([masterquote.com](http://masterquote.com)), and Term Quote ([termquote.com](http://termquote.com))** are premium-quote services. They receive a commission if you buy from a company they recommend.

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An Educational Message from

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A Garden State Consumer Credit Counseling Organization

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