



The facts of life insurance

By Kelly Burgess

There's no universal answer to the question of how much life insurance you need—or whether you even need it at all.

Your age and your circumstances are the defining factors, because in its purest form, life insurance is an investment in the financial health of the dependent members of your family, says Tony Steuer, an insurance literacy advocate and founder of the Insurance Quality Mark program.

“The current marketing push for life insurance seems to be aimed at senior citizens, with the implication that they should leave something for their children,” says Steuer. “That is not the point of life insurance, nor is it to pay for your final expenses. Life insurance is only to care for those who are dependent upon you and can’t earn a living or don’t have access to other assets, like retirement funds.”

LIFE INSURANCE BASICS

Let’s take a look at the three main types of life insurance and when they’re most appropriate:

- **Term life insurance** is a must for anyone who has dependents. This is particularly true if you have a non-working spouse or partner and/or dependent children. However, Steuer says the non-working partner should have a policy as well, to cover expenses like childcare, transportation, house cleaning—services that non-working partners often perform that may be a burden on the surviving, working partner.
- **Whole life insurance** is an investment, but it’s one that rarely pays off, says Steuer, because at some point your need for life insurance diminishes as your estate grows

and you no longer have dependents. Whole life policies can also be expensive and can restrict your available cash flow.

- **Guaranteed universal life insurance** is appropriate in some cases where you may have a dependent beyond the usual time frame, such as a special needs child who might need lifetime support. These policies will not build up any cash value, but the premiums are lower than those for a whole life policy.

SHOP AROUND

An experienced agent or broker who represents a wide variety of companies is your best bet for finding life insurance, says Steuer, and can help you get the best premium for your circumstances. Avoid contacting a number of different agents because you could end up with several applications at the same insurance companies, which can raise red flags. This is particularly important to avoid if you have a medical condition. •

Life insurance resources

These organizations offer detailed information about how to purchase life insurance:

- Consumer Federation of America
<http://www.consumerfed.org>
- Life Happens
<http://www.lifehappens.org>
- American Council of Life Insurers
<https://www.acli.com/Consumers/Pages/Default.aspx>

