



Choosing A Life Insurance Policy

Choosing a life insurance policy is something we often put off because we think we always have tomorrow. Yet, we care so much for our loved ones that thinking about their future after we die, is also important. In 2020, only 54% of adults had some form of life insurance, which is down 9% over the last ten years.

Learning what to consider when selecting a life insurance policy is important. It is also important to consider a policy in keeping with what you can afford. So step 1 is to realize that an insurance policy is an agreement between the client and the company that requires the client to make specific premium payments to keep the agreement current and the insurance company to pay the value of the policy when the client dies.

There are a number of reasons for getting life insurance, and you should determine which of these reasons are important to you. One thing insurance does is to leave money behind for your loved ones. It can also pay off a mortgage, provide funds for your children to go to college, cover funeral costs and medical expense or other debts, or pay for estate taxes for your family.

Three of the most common types of life insurance are Term, Whole Life, and Universal Life policies. Both Whole Life and Universal Life policies are permanent.

Term Life Insurance is as the name implies, insurance for a specific time period. The time period is agreed upon and generally is between 10 and 30 years. This could be a policy considered by parents when children are at home to support them if something happens to one of the parents. When the term expires, the policy has ended. This is the least expensive option but generally it does not have a cash value.

Whole Life Insurance has a set premium and is valid for as long as you make the premium payments. You can build cash value with this policy and if you elect to discontinue the policy, you will get the cash value from the policy.

Universal Life Insurance, like Whole Life Insurance, is a permanent life insurance, but they differ in that Universal Life has investment options. Premiums are not fixed and can be adjusted. It is also possible to borrow from your life insurance policy.

You could also elect to purchase a convertible or combination life insurance plan. Convertible plans give you an option to begin with a Term policy and convert it to a whole life policy instead of ending the policy. Combination plans give you an option of



paying out in circumstances other than death. A combination policy would link your life insurance policy with other insurance coverages such as long-term care.

In our next informational piece, we will share things for you to consider when it pertains to how much insurance you might need as well as insurance costs.