Protection For LIFE

We all want to protect our family when we're gone, and life insurance can help with that. But where permanent and term life insurance can differ is in how much flexibility you may need. Take a walk down this life insurance selection map to help remove some of the stress in determining what might be right for you.

KEY

TERM
Insurance where coverage continues over a set period of time, like 10-to-20 years. Once the coverage-period ends, the policy is dissolved.

PERMANENT
Insurance that provides coverage your entire life as long as the premiums are paid. Many permanent policies offered have the potential to build cash value.

QUESTION #1:
You recently had a child or have young children?

NO Move to the next question

YES | TERM
A good rule of thumb to determine how much to purchase is to calculate your income – or the cost of what you do in the house for stay-at-home parents – and multiply it by the years you need to support your kids.[1]

QUESTION #2:
You need to protect a special needs child for their entire life?

NO Move to the next question

YES | PERMANENT
The cost of lifetime care for a child with autism is on average $11.5 billion and that can rise substantially if there are other mental challenges.[2] The need to provide for the child doesn't change; neither will permanent insurance's coverage.

QUESTION #3:
You want the option to build cash value?

NO Move to the next question

YES | PERMANENT
It's a solid choice if you want the potential to build cash value to use for an additional source of retirement income or money in the event of an illness or other unexpected need.

QUESTION #4:
You're under 50 years old and need to cover debts, like a mortgage or student loans?

NO Move to the next question

YES | TERM
Mortgage debt passes onto your spouse. Private student loan balances transfer to your cosigner. Term is usually the best bet, since you'll have coverage while you pay down the debt.

QUESTION #5:
You want investment options?

NO Move to the next question

YES | PERMANENT
A variable universal life policy has the greatest potential to build cash value through underlying investments options like stocks and bonds. However, the cash value can also decline if the investment options perform poorly.

QUESTION #6:
You want to potentially borrow against it?

NO Move to the next question

YES | PERMANENT
The policy's cash value can grow your death benefit, and you can also take income tax-free loans as needed. Plus, loans typically have low interest rates.[3,4]

QUESTION #7:
You would like to leave a legacy?

NO Move to the next question

YES | PERMANENT
The death benefit from life insurance can provide a lump sum of money to your beneficiaries. And it can be set up in a way so you only leave it to heirs once both you and your spouse have passed on.

QUESTION #8:
You need it to pay for your estate taxes or funeral costs?

YES | TERM OR PERMANENT
The average cost of a funeral in the U.S. ranges from $6,000 to $10,000.[5] If you pass on property that has high upkeep expenses, then your beneficiaries may be forced to sell. Both term and permanent can provide your family with the financial security to help pay those costs, once you step away.

[1]Nerdwallet: https://www.nerdwallet.com/blog/insurance/a-new-parents-guide-to-life-insurance/
[2]Prudential: https://www.elemy.com/studio/autism/costs

[3]You can access your cash value through loans and withdrawals. In general, loans are charged interest; they are usually not taxable. If a policy lapses or is surrendered, the loan becomes immediately taxable to the extent of gain in your policy. Withdrawals are taxable only when you take more money out of the policy than you've paid in premiums. If your policy becomes a Modified Endowment Contract (MEC), different, less advantageous tax provisions apply. Loans and withdrawals may reduce or eliminate the death benefit payable to your beneficiaries.

[4]Investopedia: http://www.investopedia.com/ask/answers/111314/how-can-i-borrow-money-my-life-insurance-policy.asp

[5]Prudential: https://www.prudential.com/financial-education/funeral-planning-guidelines-tips

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