

Are You Insured?

Too many Americans have no life insurance. Their loved ones may pay dearly for that choice.



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September is National Life Insurance Awareness Month – a good time to think about the value and importance of insuring yourself.

According to a recent Bankrate survey, 42% of Americans have no life insurance at all. They may not know that life insurance coverage has become much more affordable than it once was.¹

Many people ask if life insurance is really worth the cost; maybe you are among them. The simple answer to that question is yes. It can be stunningly cheap: a healthy, non-smoking man in his thirties may pay less than \$45 a month for a \$1 million 20-year term policy. Permanent life insurance costs more than term life insurance, but permanent life policies can build cash value over time; term policies cannot.²

Life insurance is about managing risk, and if other people rely on you financially, you need to have it in place in case your passing puts them at financial risk. When a spouse or parent dies, there are financial matters to address: a sudden lack of income for a household, bills and mortgages or rent to pay, final expenses such as funeral or cremation costs, and the cost of children's education. Without adequate life insurance coverage, a household is hard-pressed to meet these immediate, financially draining challenges.

Many growing families have inadequate life insurance coverage. The Bankrate survey discovered that 37% of parents with children under age 18 had no policy at all. Some younger families find coverage through group plans, but perhaps not enough: 32% of the survey respondents raising minor children said that the death benefits on their life insurance contracts were \$100,000 or less.¹

The problem of inadequate coverage seems to plague households of all ages. A five-figure life insurance payout can pay for a funeral, but it will not offer much economic insulation to a family after a wage earner dies. Bankrate found that 47% of the Americans who have life insurance have policies with coverage amounts of \$100,000 or lower. Twenty-one percent of Americans have policies with death benefits of \$25,000 or lower.¹

How much coverage is adequate for you? Ideally, you should determine that with the help of an insurance professional. As a rough rule of thumb, the death benefit on a policy should be

about 15 times your income. If you are considering a term life policy, the term should not end before your envisioned retirement age.²

Life insurance can also be valuable while you are alive. A policy with cash value components may grow over time, either by a fixed amount per year or a variable amount as a result of the insurer directing some of the assets into underlying equity investments. (In such cases, it is also possible for the cash value to decline if the underlying investments do poorly.) After a while, you may be able to borrow against the cash value. Sometimes the payout amount on these types of policies can be adjusted as well as the size of the premiums. Of course, you must keep paying the premiums to keep any kind of permanent life or term life policy in force.³

While you may decide you prefer one kind of policy over another, the important thing is to have coverage in place – not just to reassure yourself, but those you love. Life insurance can help a spouse or a family maintain financial equilibrium at a time when it is most needed.

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Citations.

1 - bankrate.com/finance/insurance/money-pulse-0715.aspx [7/8/15]

2 - forbes.com/sites/timmaurer/2016/01/05/10-things-you-absolutely-need-to-know-about-life-insurance/ [1/5/16]

3 - nerdwallet.com/blog/insurance/should-you-consider-cash-value-life-insurance/ [5/6/15]