

Understanding Your Insurance

Life Insurance: What You Should Know

(NAPSA)—Life insurance is the foundation of financial security for you and your family. It protects your financial resources against the uncertainties of life so you can plan for the future.

The main purpose of life insurance is to provide cash to your family after you die. The money your dependents receive, known as the “death benefit,” is a vital financial resource. It can help pay the mortgage, run the household and ensure that your dependents aren’t burdened with debt.

Choosing a life insurance product is an important decision, and you should understand your needs and the options available to you.

The American Council of Life Insurers (ACLI) suggests you start by evaluating your family’s needs. Gather your personal financial information and estimate what your family will need after you’re gone. One rule of thumb is to buy life insurance equal to 10 times your annual gross income.

There are two basic types of life insurance: term and permanent.

Term insurance provides protection for a specific period of time, typically from one to 30 years, and pays a benefit if you die during the term. The premium may remain constant throughout the term or increase each year. Some term insurance policies can be renewed when you reach the end of the term, but the premium rates will generally increase.



Permanent life insurance provides lifelong protection. As long as you pay the premiums, the policy will remain in force, and the death benefit will be paid. Permanent policies also offer a cash value, which you can use as a long-term savings tool or as collateral when borrowing against the policy. Permanent policies are designed and priced to keep over a long period of time.

Some policies offer an accelerated benefits rider, which allows you to receive the proceeds of your policy before you die if you have a catastrophic illness or require nursing home care.

A licensed life insurance agent can help you find a policy that meets your needs.

For more information about life insurance, access ACLI’s consumer guide, “What You Should Know About Buying Life Insurance,” available on www.acli.com.