

Understanding Your Insurance

Americans Living Longer, Enjoying Cheaper Life Insurance

(NAPSA)—There has never been a better time to obtain the financial security a life insurance policy can provide.

Life insurance pays a specified amount of money to designated beneficiaries upon the death of the person insured. With Americans living longer—according to the Centers for Disease Control, the average life expectancy for men and women in 2000 was 74 and 79 years respectively, compared with 70 and 77 years in 1980—many insurance companies are reducing rates on life insurance, up to 35 percent in some instances, allowing policyholders to potentially save hundreds of dollars each year.

“Now is an opportune time to purchase life insurance with today’s lower rates and the ease of comparing prices online,” said Kristi Matus, president and CEO of USAA Life Insurance Company. “Life insurance helps simplify difficult financial decisions for loved ones, during the grieving process and years down the road.”

To help families with life insurance planning, USAA offers answers to some of the most common life insurance questions:

Who Needs It?

Primary caregivers or those with dependents typically need life insurance to help cover their expenses after death, including funeral costs and outstanding debt, and to provide financial support for loved ones’ expenses in the future, such as house payments or college tuition.

How Much Should You Buy?

In general, you should have



coverage equal to seven to 10 times your annual income, depending on your income level and stage in life. Ideally, you should have enough coverage so your beneficiaries could invest the death benefit after paying final expenses, and maintain their lifestyle in the near term by spending the interest only.

What Type Do You Need?

There are two basic types of life insurance coverage—term and permanent. It’s important to understand and consider the benefits and drawbacks of each type of life insurance:

- Term insurance offers coverage for a specified timeframe, such as 30 years, and provides a cash death benefit only. With this type of insurance, beneficiaries will receive the death benefit only if the person insured dies during the specified timeframe. Because it is “no frills” insurance, term insurance is typically the more affordable option for young families on a budget.
- Permanent insurance, while more expensive, provides options for the future.

This type of coverage offers life-time protection and combines a death benefit with a tax-deferred savings component called “cash value.” The cash value is paid if coverage is cancelled, and it may be possible to borrow or withdraw a portion of the cash value while keeping the life insurance in effect. The availability of fixed premiums and tax benefits can make permanent life insurance the more affordable choice in the long run.

How Should You Choose?

Compare companies before making any purchasing decisions. Research the same type of policy with each provider, so you can accurately compare policy performance and other benefits.

It also is a good idea to ask the company you’re considering if it will provide any additional services beyond the life insurance contract. For example, some companies offer survivors free financial plans and special assistance to help with financial decisions.

In addition, review insurance companies’ financial strength ratings given by independent organizations, such as Moody’s Investors Services. This will help ensure you choose a policy from a financially sound company.

By following this plan, you should be well prepared to purchase the right life insurance policy to meet your needs. For more information on life insurance options, call USAA at 1-800-531-8263, or current USAA members may visit usaa.com and enter key-code LZP007 to access the USAA Life Insurance Guidance Center.