



# Your Guide to Life Insurance for Families



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You cherish the moments you spend with your family. Every birthday and holiday get-together reminds you of what's really important in life. So consider them when asking yourself, "Do I need life insurance?" Think about helping provide your family with financial security for many years to come.

## Don't Put it Off

Life insurance is an easy decision to delay; it's something you'll do later. But the longer you wait, the more it could cost you with significantly higher rates. If an accident or illness hits before you purchase a policy, what was an affordable plan can become financially out of reach. Lock in your rates now to ensure the lowest premiums. Now is a great time to get a price on a life insurance policy that could save your family more than money.

You might be surprised at how simple it can be to purchase life insurance coverage so that, should the unexpected happen, the financial resources your family needs will be there for them.

## Do It for Them

The value you provide to your loved ones can never be replaced. No one wants to dwell on the circumstances in which they would need it. But the truth is, it's a critical part of good financial planning and one of the best ways to take care of the people you love most.

Life insurance is all about family and helping ensure they're financially safe.

Now is a great time to get a price on a life insurance policy that could save your family more than money.



# Does My Family Need Life Insurance?

Whether you're a two-person household or a large, multigenerational crowd, your family is the most important part of your life. And keeping those you love safe and protected is important. But maybe you still wonder if life insurance is right for you.

No matter how large or small your family, the right life insurance policy can help you find peace of mind by securing their financial future. Here's how it can help families of all kinds.

## You're Married With Kids.



Having a family with children still in the house is usually the time when you need the most life insurance. It can take a larger death benefit to replace the loss of your income after you're gone.

If you were to die before your kids grow up, your family would need a lot of money to cover major expenses such as a mortgage or college education. If both you and your spouse work, it may be hard to get by on one income. If one of you stays home to take care of the kids, and he or she dies, that's an extra expense to pay for childcare services.



## You're Married Without Kids.

Even without little ones running about, you may still need replacement income if one of you dies. Many Americans rely on two incomes to survive, so you may not be able to maintain the same living standard on just one.



## You're a Single Parent.

Being a single parent isn't easy, especially when it comes to finances. Even if you get child support, it may not be enough to replace your income after you're gone. So if you're a single parent debating whether or not you need life insurance, the answer is yes.



## You're Supporting Aging Parents.

Nearly 10 million adult children over the age of 50 care for aging parents, and many aging parents depend on their adult children's income for some—or all—of their support. Having adequate life insurance coverage ensures that, should you die, your aging parents will continue to be cared for and supported.



## You're Single Without Children but Have Other Dependents.

Sometimes people have to support others such as a younger sibling, relative, or parent. There are several life insurance options that can help protect your finances in this situation. You can get a policy on yourself and make another adult the beneficiary. Or you can take out a policy on a parent and name yourself as the beneficiary to help pay for debts such as medical bills or a mortgage left behind.



## You're Young and Single Without Dependents.

As a young person who may have graduated from college or is trying to build credit, there may be times when someone, like a parent, had to cosign on a loan for you. If you were to die, that person would become responsible for those debts. Purchasing a life insurance policy can help cover those debts as well as your final expenses.



# Types of Life Insurance for Families

Life insurance is simply a contract held between an insurance company and a policyholder. In exchange for premium payments, the insurance company promises to provide a cash payment or payments upon the death of the insured person. These payments can be paid as a lump sum or as installments to a beneficiary selected by the policyholder.

There are different policy types to consider when choosing life insurance that's the best fit for your family.

## Term Life Insurance

Term life insurance is called a pure life insurance policy because its only function is to pay out a benefit upon the policyholder's death. This death benefit helps provide income replacement to cover short-term needs, such as paying off a mortgage or for a child's college education. Here are some characteristics of term life insurance:

- Offers affordable life insurance coverage for when you need it
- Coverage option without medical exam available
- Choose a 5-, 10-, 15-, 25-, or 30-year plan
- Typically suitable for younger people and families to help protect against lost income if the primary wage earner dies
- Plans don't have a cash value investment, which usually makes the cost lower than permanent life insurance.

## Permanent Life Insurance

Permanent insurance provides lifelong protection and the ability to accumulate cash value on a tax-deferred basis. Unlike term insurance, a permanent insurance policy will remain in force for as long as you continue to pay your premiums.

Three of the most common types of permanent life insurance are:

- Whole life insurance
- Universal life insurance
- Final expense insurance

## Whole Life Insurance

Whole life insurance is a form of permanent life insurance that offers the greatest amount of safety and security in exchange for higher premiums. The premium amounts are fixed and will remain unchanged over the life of the policy.

In addition, there's also a financial component of guaranteed cash value: the ability to earn dividends. Dividends are a portion of the insurance company's profits that are paid to policyholders as if you were an investor or stockholder. Because dividends are related to a company's performance, they are not guaranteed.



## Universal Life Insurance

Universal life insurance is a permanent policy that allows you the flexibility to customize the coverage and premiums. You have the ability to take policy loans or make partial surrenders from the account value to help with your personal needs. Loans accrue interest. Unpaid loans, plus interest and withdrawals, will reduce the death benefit and cash value. The policy continues as long as the cash value is sufficient to cover the monthly deductions.

Benefits of universal life insurance:

- Helps provide for loss of income, mortgage costs, and educational needs
- Gives you access to cash value for life's opportunities and challenges
- Is part of your estate, special needs, and business planning
- Can be used to enhance gifting or planning for future generations

## Final Expense Insurance

This type of permanent insurance is an affordable way to provide the financial resources necessary to cover your funeral costs and other final expenses or outstanding debts.

- Dedicated funds for burial and related expenses
- Easy to qualify for
- Low cost
- May accumulate cash value



# What if I'm a Widow or Widower?

It isn't easy to move on with life after losing a spouse. The knowledge that life is too short may cause you to think about how your loved ones would cope if you, too, were no longer around. Although nothing could ever replace you, it may give you comfort to know that life insurance can help provide a secure financial future for those you leave behind.

You may be thinking, "Do I need life insurance for myself if my late spouse already had a policy?" Yes, you may very well need a policy. A 2013 study found that widows age 25 and older with dependents significantly underestimated the amount of life insurance protection they needed—their spouse's policy had provided three years of protection, but they really needed protection for 14 years.

## Help Your Adult Child Who Takes Care of You

Getting life insurance is not just for the benefit of younger children. It can also help provide a financial cushion for an adult child who may have to take care of you in your older years. With a life insurance policy that names your adult child as the beneficiary, he or she could replace some of the income it took to care for you and help pay for debts you may leave behind.

## Help Pay Your Final Expenses

You may have already experienced how difficult it can be to pay for a funeral when you don't have money saved. So by insuring your life, you could help your loved ones avoid worrying about how they're going to come up with the money to pay for your final expenses.





## Help for Estate Planning

If you inherited significant assets from your spouse or have a high net worth of your own, there's a good chance your heirs will have to pay taxes on your estate. To possibly reduce your taxable assets, you can transfer your life insurance to an adult child. In doing so, the policy still covers you, and your adult child receives the death benefit when you die.

If you choose to keep the policy in your name, then your beneficiary can put some of the money from the death benefit toward your estate taxes. This can be a good way for your heirs to settle your estate without having to come up with out-of-pocket funds of their own.

## Provide a Legacy to a Charity

Funds from a life insurance policy can also be a good way to carry on your own or your late spouse's wish to support a charity. You could set up a fund or scholarship in both your names to leave a legacy that could last for many years to come. In addition to no income tax on death benefits, what's also great about donating life insurance money to charity is that no estate taxes are charged—the charity receives 100 percent of the funds.





# Life Insurance for Children

Purchasing a life insurance policy for children while they are young and healthy guarantees their lifelong insurability. Plus, a permanent life insurance policy could serve as a vehicle for cash accumulation for your child's future. Life insurance can be purchased for children as a stand-alone policy or as a rider on an adult's policy.

## Stand-Alone Child Policies

**Whole life insurance premiums** remain unchanged over the life of the policy. This means they cost the same when your child is 17 as they did when he or she was 6. However, all of this stability and versatility means higher premiums for the policyholder.

A **universal life insurance policy** allows you to customize your coverage and premium amounts. However, depending on what adjustments or borrowing you do, the cash value can be depleted.

## A Child Rider

Life insurance for children can be added on to an existing adult life insurance policy. This affordable option can be used to cover all of your children at once. With stand-alone policies, you need to purchase a policy for each child individually. The trade-off with a child rider is that you may not be able to elect the high level of coverage you could with a stand-alone policy.





## 5 Reasons to Buy Child Life Insurance

### 1. High Value at Relatively Low Cost

Buying life insurance for your child now means that you are guaranteeing low-cost premiums for life if you select a whole life insurance policy. The younger the child is at the time of the purchase, the lower the premium is likely to be.

### 2. Long-Term Security

Securing life insurance at an early age means guaranteeing long-term security for your child. Developing a disability or chronic illness later in life can hurt their chances of gaining life insurance at an affordable rate, and in some cases, it can prevent them from ever acquiring it.

### 3. Steady Growth

A permanent life insurance policy will provide a death benefit, and it can earn cash value as well. This cash value will grow with your child and increase over time so that they can borrow against it later in life. Generally, this money is tax deferred.

### 4. Help With College

A popular use for child life insurance is to help with tuition costs. The cash value of an insurance policy for children can be borrowed against to help with any costs associated with attending school. Unlike a 529 plan, the accumulated cash value in a life insurance plan will not count against a student who is applying for financial aid.

### 5. The Unthinkable

No one wants to believe that anything bad will happen to the ones they love, but life is unpredictable, and bad things can—and do—happen. Probably one of the best ways to combat life's tragic moments is to have a feeling of preparedness. While protection won't ease your emotional burden, it can help with the financial one.

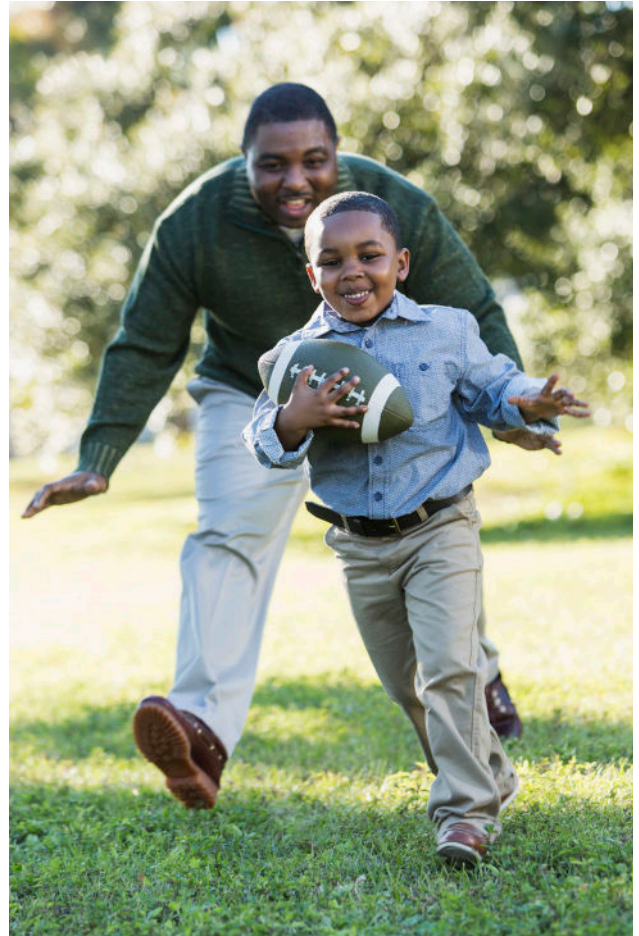


# How Much Life Insurance Does My Family Need?

Life insurance can help your family pay for expenses such as a mortgage, your child's college education, or medical expenses. A life insurance policy can build cash and/or loan value, which means you can get money or borrow from the policy while you're still alive.

The amount of life insurance coverage your family needs depends on factors such as age, marital status, number of dependents, and living expenses.

Some financial sources suggest that your death benefit should be 7 to 10 times greater than your annual salary, which is a good estimate for families with grown children. For a young family with parents who are in their 20s, insurance companies usually allow a death benefit that's up to 30 times greater than their annual salary, while a young family with parents who are in their 30s could get a death benefit up to 20 times above their yearly wages.



Some things you would want to keep in mind when estimating how much life coverage you should get:

- The amount of income or type of lifestyle you want to provide for your spouse and/or dependents
- How long do you expect your children to be at home? (Do they have several years of schooling left? Or are they about to graduate and move out on their own?)
- Amount of debt you have: mortgage, car loans, student loans, etc.
- Other income you receive from things such as rental properties
- Money you have in assets: savings, mutual funds, stocks, or retirement accounts.

Once you come to an approximate number of how much money you would need to meet your family's future expenses on a monthly or yearly basis, subtract any money you have in assets and additional income you get from other sources. The resulting number is the gap that you would want to fill with life insurance.

### Finding the Gap

Annual/Monthly Income

-

Assets & Other Income

=

The Gap

For instance, if this number is \$30,000, then you may need 7 to 10 times that amount in insurance coverage, which would be \$210,000 to \$300,000. If you need up to 30 times your annual wage, that would be \$900,000.





# Do I Need Life Insurance for My Parents?

Your parents spent decades caring for you. But there may come a time when you need to take care of them. Being a caretaker for your parents means making sure that all of their needs are being met. But the responsibility doesn't end there. What happens once they pass? Who will be there to arrange their final wishes? If the answer is you, perhaps you should consider some life insurance for your parents.

By planning ahead and using the right financial tools, you help guarantee that their final moments will be handled with dignity and respect. Choosing to protect both yourself and your parents is the best way you can serve your family.

## Caring for Aging Parents

As a caregiver, you're often elected to handle important legal, health, and financial decisions. If you're in this situation, it's natural to think about the resources needed to lay a parent to rest. Do you or your parents have the resources to pay for funeral expenses? Do they have a life insurance policy or any long-term care insurance? Are there any other family members who will be able to step up and contribute?

## Can I Get Life Insurance on My Parents?

If you're looking to purchase life insurance on your parents, you will likely need to get them involved in the application process. An insurance company will need some personal information from them to complete the application. This will probably include their Social Security numbers as well as some signatures. They are also likely to be asked to participate in some type of health questionnaire. This could involve just answering some questions, or it could involve a medical exam or blood test. This is dependent on what type of policy you are applying for and the underwriting practices of the insurance company.

## Why Do My Parents Need Coverage?

Determining whether or not you need life insurance for your parents comes down to some simple financial analysis. If your parents reside with you, or you with them, you should consider buying life insurance for them. This is especially true if your parents contribute to the overall expenses in your household.

If you aren't living with your aging parents but are caring for them, you should also consider getting them a life insurance policy. The financial burden of their medical tools and expenses, and any debt they may have, could be covered with a life insurance plan. Also, if your parents provide any assistance with your children, you need to further examine your needs. Their passing could leave you with a void in your childcare plan.



## The Cost of Final Expenses

The cost of a funeral and burial services may come as a shock. The median cost of a funeral is nearly \$10,000. And costs are rising. So, how do you handle expenses like this if you have one or more aging parents and no funds available to pay for these services? A life insurance plan can help.



The longer you wait to purchase a life insurance policy, the more it will cost you. An affordable plan can become financially out of reach if an accident or illness occurs before you purchase a policy.

Don't wait. Talk to one of HealthMarkets' knowledgeable, licensed insurance agents today about a life insurance plan that fits your needs.

# About HealthMarkets

HealthMarkets Insurance Agency can help you understand the many insurance options available, so you can make the best choice. Let us help you get the right life insurance coverage for you and your family. Best of all, our service is free!

HealthMarkets is one of the largest insurance agencies in America, with more than 3,000 licensed agents and nearly 250 offices located across the country. We also offer unmatched levels of service to our customers. We're proud of our 95 percent customer satisfaction rating and an A+ rating from the Better Business Bureau (BBB), the highest rating assigned by the not-for-profit agency that works to advance marketplace trust.

## HealthMarkets Insurance Agency

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Call us now at **(800) 827-9990** or visit **HealthMarkets.com** to find a licensed agent near you.

### Sources

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