The primary purpose of life insurance is to protect your dependents financially in the event of your death.
Properly positioned, the benefit from a life insurance policy can provide a steady stream of income for your family.
It can also provide liquid capital to help pay estate taxes and other financial obligations.
The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.
How much life insurance do you have?
It might surprise you to learn that the average life insurance policy death benefit is not exactly a windfall and that it might not even cover the balance of someone's mortgage.
In fact, you might agree that this amount may not be sufficient for many American households.
Term insurance is the simplest and least expensive type of life insurance because it guarantees a death benefit for a specific period of time (terms range from 5 to 30 years) with no asset accumulation feature.
Term life insurance premiums are generally affordable when you are younger, but premiums rise with age to the point where they
become less affordable if you renew or purchase a term policy when you're older.
In fact, each time you renew a policy, the insurance company considers your health and age when determining the premiums you will pay.
It's also possible to outlive the term of a policy.
Whole life insurance (also called permanent insurance) costs more to start but it may become more valuable as an estate planning tool over the long term.
When you purchase a whole life policy you traditionally pay a fixed premium for as long as you live or for as long as you keep the policy in force.
In addition to providing a death benefit, whole life insurance policies accumulate cash value.
This accumulated cash value can be used for a variety of needs during your lifetime, essentially becoming a "lifetime asset."
Access to cash value is through withdrawals or loans.
Policy loans will reduce the cash value and death benefit by the amount of any outstanding loan balance plus interest and may increase the chance that the policy will lapse.
Policies commonly have mortality and expense charges.
If a policy is surrendered prematurely, there may be surrender charges and income tax implications.
Any guarantees are contingent on the claims-paying ability of the issuing insurance company.
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