



GETTING STARTED WITH LIFE INSURANCE

As you prepare to buy a life insurance policy, evaluate your ongoing and future financial needs and review the products. To begin, ask yourself some basic questions:

Why do I need to buy life insurance?

If someone depends on you financially, the likelihood is that you need life insurance. Life insurance provides cash to your family after you die. The money your beneficiary receives (the death benefit) can be an important financial resource. It can help cover daily living expenses, pay the mortgage and other outstanding loans, fund tuition, and ensure that your family is not burdened with debt. Having a life insurance policy could mean your spouse or children wouldn't have to sell assets to pay bills or taxes. Another advantage is that beneficiaries won't have to pay federal income taxes on the money they receive.

How much life insurance do I need?

Everyone's needs are different. A life insurance agent or financial advisor can help you determine what level of protection is right for you and your family based on your financial responsibilities and sources of income. There are online calculators that also can help you; however, sitting down with an insurance professional to review your financial needs can give you a more personalized view of your needs.

Beneficiaries won't have to pay federal income taxes on the money they receive from a life insurance policy.

In general, deciding how much life insurance you need means deducting the total income that would be lost upon your death from the total sum of your family's ongoing financial needs. Consider ongoing expenses (day care, tuition, mortgage, or retirement) and immediate expenses (medical bills, burial costs, and estate taxes). Your family also may need money to pay for a move or the costs of looking for a job.

While there is no substitute for evaluating needs based on your own financial information, some experts suggest that if you own a life insurance policy it should pay a benefit equal to seven to 10 times your annual income. Your need could be higher or lower depending on your situation.