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## IS IT TIME FOR LIFE INSURANCE?

*Important life events may call for it.*

Presented by Christopher J. Ricci, Financial Advisor

Just as many people between the ages of 30 and 50 lack a will, many also lack life insurance. A March 2011 survey from Genworth Financial and the University of Virginia's Darden School of Business found that almost 70% of single parents and 45% of married parents were living without any coverage.<sup>1</sup>

**Why don't more young adults buy life insurance?** Shopping for life insurance may seem confusing, boring, or unnecessary. Yet when you have kids, get married, buy a house or live a lifestyle funded by significant salaries, the need arises.

**Finding the right policy may be simpler than you think.** There are two basic types of life insurance: term and cash value. Cash value (or "permanent") life insurance policies offer death benefits and some of the characteristics of an investment - a percentage of the money you spend to fund the policy goes into a savings program. Cash value policies have correspondingly higher premiums than term policies, which give you death benefits only and have terms of 10 years or longer. Term is a great choice for many young adults because it is relatively inexpensive. There is an economic downside to term life coverage: if you outlive the term of the policy, you and/or your loved ones get nothing back. Term life policies can be renewed (though many are not) and some can be converted to permanent coverage.<sup>2</sup>

The key question is: how long do you plan to keep the policy? If you don't want to pay premiums on an insurance policy for more than 10 years, then term life stands out as the most attractive option. If you are just looking for a short-term hedge against calamity, that's the whole reason behind term life insurance. If you're getting into estate planning, then permanent life insurance may prove a better choice.

**It may be cheaper than you think.** Premiums on 10-year level guaranteed term policies are startlingly affordable. Just to give you a ballpark example, a 40-year-old woman could potentially line up \$250,000 in coverage through one major insurer for a premium of \$16 a month as of July 2011.<sup>3</sup>

**Confer, compare and contrast.** Talk with a financial or insurance professional you trust before plunking down money for a policy. That professional can perform a term-versus-permanent analysis for you and help you weigh per-policy variables.

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**Citations.**

- 1 - [mainstreet.com/article/moneyinvesting/insurance/study-70-single-parents-forego-life-insurance](http://mainstreet.com/article/moneyinvesting/insurance/study-70-single-parents-forego-life-insurance) [3/25/11]
- 2 - [money.msn.com/life-insurance/term-or-permanent-life-insurance.aspx](http://money.msn.com/life-insurance/term-or-permanent-life-insurance.aspx) [3/16/11]
- 3 - [metlife.com/campaign/search/life-insurance-quote/index.html](http://metlife.com/campaign/search/life-insurance-quote/index.html) [8/4/11]