# LIFE INSURANCE AWARENESS MONTH

**Key Takeaways**

- Life insurance replaces your income and pays out to beneficiaries if you die while the policy is active
- If you have dependents, cosigned loans, or any outstanding debts, you need a life insurance policy
- Term life insurance is the best option for most people because it offers the most affordable coverage across the board

## What type of life insurance is right for me?

There are two main types of life insurance: term life insurance, which offers basic coverage for a set period of time, and permanent life insurance, which lasts your entire life and often comes with an investment component.

## Term life insurance

Term life insurance only covers you for a predetermined number of years, after which you stop paying premiums and the coverage expires. Because term life insurance is the simplest form of coverage, it's by far the most affordable type of life insurance.
How term life insurance works: If you die during the term, then your beneficiaries receive a death benefit. If you outlive the term, then you and your beneficiaries get nothing from the insurance company.

## Permanent life insurance

With permanent life insurance, instead of paying premiums for a set number of years, you pay them for your whole life, and when you die, your beneficiaries receive a death benefit.
Many types of permanent life insurance have a cash value component that earns interest and increases in value as you pay your premiums. Eventually, the cash value component may increase the death benefit amount, and, in rare cases, you may even be paid dividends on the accumulated cash value. You can also withdraw money from the cash value or take out a loan using it as collateral, but this can reduce the death benefit left to your beneficiaries.
How whole life insurance works: the most popular type of permanent life insurance is whole life insurance, in which the cash value grows at a fixed interest rate set by the insurer.
Other permanent life insurance options include:
Universal life insurance has a cash value tied to a specific stock index used by the insurer. If the market underperforms, the cash value decreases and you may pay higher premiums to support the same amount of coverage.
Variable life insurance allows you to choose what kinds of assets you want to invest in and has fixed premiums. If your assets don't outperform the value of the death benefit, you may not notice any difference in coverage.
*Variable universal life insurance takes the adjustable premiums of universal life insurance and applies them to the diversified assets of variable life insurance. Your premiums can increase or decrease depending on how the investments fare.*

## Long term care rider

Hybrid life insurance policies add a long-term care rider to your coverage to pay for assisted living costs if you become ill and cannot perform two of the six activities of daily living, which include: eating, bathing, getting dressed, walking from one place to another, using the toilet, or maintaining bowel or bladder continence. If you end up using a long-term care rider, the money is withdrawn from your policy's death benefit.