

## Here are 12 things you may not know — or that you need to know — about life insurance.

By Karin Price Mueller April 1, 2014

### 1. You need a higher death benefit than you think.

A \$1 million dollar policy may seem like a lot, but if you have a spouse and two young kids who aspire to college someday, and you have some debt, \$1 million may not get them very far if you want them to maintain the lifestyle they've become accustomed to. How much coverage you need depends on your salary, whether or not your spouse works, if you may need child care, and the debt you may leave behind: college tuition, credit card bills, a mortgage, and more. Try these calculators from [LifeHappens.org](http://LifeHappens.org) and [MSN Money](http://MSN Money) for help.

### 2. Life insurance comes in several flavors, and you need to pick the right kind.

- **Term insurance** will cover you for a set time period, and at the end of the period, you'll no longer have insurance. This is often a good choice for young families who can't afford permanent insurance, or for those who only want to be insured for a certain time period.
- **Permanent insurance** will give you coverage for as long as you pay the premiums (and sometimes longer), and in addition to the insurance part, it also has an investment component. It comes in different flavors — whole, universal and variable — and they offer different investment options and the ability to use your cash value to pay premiums.
- The other important difference is cost. Term policies are generally much less-expensive than any kind of permanent insurance, which charges additional fees for the investment component of the policy. Try [BankRate.com's calculator](http://BankRate.com's calculator) to decide which kind is best for you and use the [Insurance Information Institute's glossary](http://Insurance Information Institute's glossary) to make sure you understand all the terms in any policy you consider.

### 3. Look for guaranteed level premiums.

You don't know exactly what your financial future holds, but it's a fair guess to say that if your premiums go up over time, it may be harder to pay the premiums. And if you don't pay, your policy will lapse. Leaving you and your heirs with nothing.

### 4. Don't wait too long to get coverage.

The younger you are, the cheaper premiums will be. And, if a health problem comes up before you get coverage, you could face higher premiums or be denied coverage entirely. Also, if you have debt or a mortgage or college-bound kids and you don't have any insurance, they get nothing if you get hit by a bus. So what are you waiting for?

### 5. Review, review, review.

Your insurance needs are going to change as your life changes: when you get married, get divorced,

have kids. During a major-life event like these, make sure you go over your life insurance needs, and make changes when you have to. And because life insurance doesn't pass through a will, but through beneficiary designations, make sure the insurer knows who you want to get the death benefit.

#### **6. Don't count on your employer's insurance alone.**

Many employers offer between one and three years' salary as a death benefit, and for most families, that's not enough. Even if your employer's insurance did cover your family's needs, you'd be left with no coverage if you quit or get laid off. It makes more sense to buy your own policy because it will travel with you as long as you pay the premiums. Consider any insurance you get through your employer to be gravy.

#### **7. Think about your estate planning needs.**

If you want to leave an inheritance for your heirs, life insurance is a great way to do it. It can also be a handy way to pay for estate taxes — also called death taxes — should there be enough in your estate that you're subject to estate taxes. (Again, remember life insurance distributions are based on your beneficiary designation on the policy, not on what your will says.)

#### **8. Forgetting to pay premiums is a no-no.**

If you don't make timely payments, all those years of premiums could be for nothing and the insurer may cancel your policy. Consider having auto-payments from a checking or savings account to make sure you don't miss an important deadline.

#### **9. Don't lie.**

If you're not truthful on your life insurance application, you could be denied coverage, see your policy cancelled (without a return of premiums you've paid) or face much higher rates when the insurance company learns the truth.

#### **10. Make sure your beneficiaries or someone you trust knows where the policy is.**

You know, in case you get hit by that bus. No insurance company will know you're dead and start ringing your beneficiary's doorbell. Someone will have to notify the insurance company before any benefits are paid.

#### **11. Consider your health — in good times and in bad.**

Life insurance not a one-shot deal. If your health changes for the worse, you may want to see if you can convert your term policy for a permanent one because you may not be eligible for new insurance. But if you lose a significant amount of weight or you stop smoking, you could be eligible for a less expensive policy.

**12. Don't bother with accidental death and dismemberment policies.**

These policies are commonly sold by credit card companies. Also avoid lender-offered policies that promise to pay or your mortgage or other debts. A straight-up term policy will cost less for more coverage.