Four Life Insurance Myths

For the Young Family

For young couples just getting started, the future can seem boundless. Yet with new commitments, such as buying your first home or having children, comes the responsibility to make sure your loved ones would be taken care of, even if the worst were to happen. Life insurance—the most basic and essential protection available—can help make sure future needs are met and that your family maintains its standard of living, no matter what life brings. But common misconceptions often prevent young families—who need this protection the most—from purchasing the life insurance they need.

MYTH No. 1: I only need life insurance if I am the primary breadwinner in my family

Whether or not you work, your family will miss your contribution to the household if it disappears. If you do work, even a modest income may help fund important items and family activities. And though stay-at-home parents may not provide a cash income, they often provide valuable services such as childcare, cooking, housecleaning and household management, the replacement costs of which are often severely underestimated.

MYTH No. 2: If I buy a term policy and find that I still need protection when the term ends, I can always renew the policy

Term policies are quite popular with many young families, and for good reason: they typically offer the greatest coverage for the lowest cost. Term insurance provides protection for a specific period of time (the 'term'), and can be ideal for people who feel they have temporary needs, such as a mortgage or a child's education. However, many families realize that even after the kids are gone, their need for insurance continues—to provide income for a surviving spouse, eliminate debts, pay taxes, etc. Because premium rates increase with age, renewing your policy when the term expires can be prohibitively expensive. Moreover, poor health may make renewal impossible.

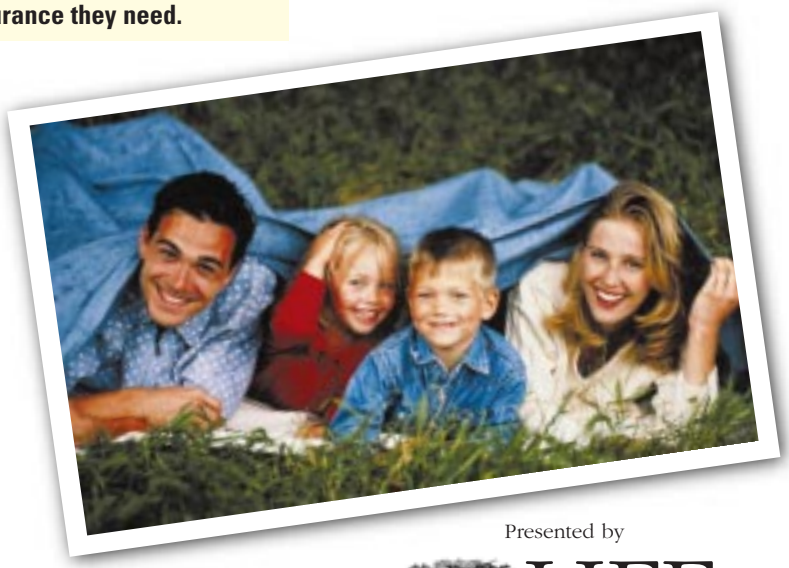
MYTH No. 3: I only need life insurance when my kids are young and my financial obligations are the greatest

There is no question that insurance needs are great when your children are young, what with college planning, mortgage payments and the costs involved in raising your kids. But for people with insurance needs later in life, permanent insurance is often a good choice. In addition to providing the opportunity for lifelong protection, permanent policies accumulate cash value that can be borrowed against or withdrawn, though doing so may affect the death benefit and have tax consequences. Although permanent insurance premiums are generally higher than term premiums when first purchased, they typically do not increase over time and can stop completely later in life, even as your coverage continues, depending on your policy.

MYTH No. 4: I can get a better rate of return if I invest my money elsewhere

While the first and foremost reason for any life insurance purchase is to provide protection for your family, permanent insurance policies, such as whole life, universal life, or variable life, offer other features that many people find attractive. Specifically, permanent policies provide a cash accumulation value that grows over time and can be borrowed against. And contrary to what many people believe, long-term rates of return on the cash value are generally comparable to relatively low-risk investment products. Because understanding rates of return is often difficult, the best way to find the right products for your needs is with the help of a qualified insurance agent or other financial advisor.

For a free Consumer's Guide to Insurance, call 888-LIFE-777, or visit www.life-line.org



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