Three Life Insurance Myths

For Those in the Prime of Their Lives

As the years go by, you may feel your need for life insurance has passed. But just because the kids are through college and the mortgage is paid doesn't necessarily mean that Social Security and your savings and investments will take care of whatever lies ahead. In fact, many people harbor common misconceptions which prevent them from purchasing or maintaining the insurance coverage they need.

Myth No. 1: I don't need life insurance once my children are self-supporting and my mortgage is paid off.

Perhaps, but if you died today, your spouse would still be faced with daily living expenses. And what if your spouse outlived you by 10, even 30 years, which is certainly possible today? Would your financial plan, without your insurance, enable your spouse to maintain the lifestyle the two of you have worked so hard to achieve? And would you be able to pass on something to your children or grandchildren?

Myth No. 2: I'll take the term insurance I bought when I was younger and convert it to permanent insurance when I'm older.

While term insurance may have been quite affordable when you were young, premiums increase as you age, and you may not be able to afford to renew or convert the coverage once the term expires. Permanent insurance, though more expensive than term when first purchased, allows you to lock in the premium rate for the rest of your life, while term rates continue to rise. So think ahead, and discuss with an insurance or financial advisor a strategy that you can afford and that protects you when you need it.

Myth No. 3: Life insurance costs too much to buy when I am older.

Purchasing insurance when you are older can be costly, but it still may be worthwhile to consider coverage. Say, for example, that the annual premium for a $100,000 permanent policy is $3,000 a year when you are 65 years old. If you died when you turned 66, your spouse would receive $100,000 in death benefits, tax-free. Had you not purchased the life insurance, your spouse would still have the $3,000 but would not have the additional $97,000 that could make a world of financial difference. In judging whether insurance costs too much, balance your need for coverage with the cost of premiums.

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