

How to Buy Life Insurance

Buying life insurance is an easy way to protect your family after you're gone. If you know what to look for, you can get great coverage at a price you can afford.

Why buy Life Insurance?

Topping the list of reasons to buy life insurance is the financial protection life insurance offers. If you're single and just starting out, you may not need life insurance. But as you take on more responsibilities and your family grows, your need for life insurance increases. The proceeds from a life insurance policy can replace the income lost to your family upon your death. You might also want to buy life insurance to pay off debts and expenses, leave money to charity, and cover final and estate expenses.

Choose Term or Cash Value

There are two basic types of life insurance: term life insurance, which provides life insurance coverage for a specified period of time (the term), and cash value (permanent) life insurance, which combines a death benefit with a cash value component. Cash value insurance offers lifetime protection, while term insurance may be the most affordable option if you're buying life insurance mainly for the financial protection it offers, and your need for life insurance is temporary (until your children leave the nest, for instance). Some term policies (called "convertible") will permit you to exchange the term life insurance policy for a permanent one at some point.

Decide how much Coverage you'll NEED

The amount of life insurance protection you should buy depends on how much income your survivors will need, how much you own and owe, and the amount of other life insurance available to you. If you're married, both you and your spouse should consider buying life insurance. One of the easiest ways to estimate how much life insurance protection you should buy is to use a common sense approach. Calculate the number of years you are looking for protection; then multiply that number times your annual salary, less any other income that your family might be receive in case of your early demise; ie, Social Security Survivor Benefits, etc. Most companies or agents want to sell you UP, and in some cases the cost is truly negligible, however, buying more than your need is a WASTE of money.

Pick a number between 1 and 30

Term life insurance is usually offered for periods ranging from 1 to 30 years. Consider choosing a term that matches your need for life insurance protection. For instance, if your main reason for buying life insurance is to protect your 7-year-old twins until they're out of college, you'll want to buy a policy with a term of at least 15 years.

How much will it Cost?

How much you pay for life insurance will depend on a number of risk factors, including your age, your health, whether you use tobacco, your family health history, and the type and amount of life insurance you're buying. Keep in mind that the premium you're quoted initially will increase later. For instance, when you buy term life insurance, rates are guaranteed only until the end of the term (annually for annual renewable term or at the end of a specified number of years for level term). While most life insurance policies can be renewed at the end of the term, you'll pay a higher premium for coverage.

Compare Policies & Companies

When comparing quotes for life insurance, make sure that the insurance coverage you're comparing is similar. And remember, any policy that you buy is only as good as the company that issues it. Find out what rating the company has received from major ratings services, such as A. M. Best or Standard & Poor's. These companies evaluate an insurer's financial condition and claims-paying ability. The company giving you a quote should provide you with

this information. You can also contact your state's department of insurance to find out more about an insurer's record.

Submit an Application

Once you're ready to purchase a life insurance policy, you'll fill out a life insurance application that contains questions about your current and past health history and lifestyle. You'll generally be required to take a para medical exam, arranged and paid for by the insurance company. The answers you give on your application, along with the results from the medical exam and your past health history, will help the insurance company determine whether to offer you a policy, and if so, at what price.

Learn the Lingo

Maybe a life insurance contract isn't as exciting as a best-selling novel, but read it anyway. Policy provisions, the amount of benefits, the premium, and other charges you'll pay will be listed along with other important information such as the beneficiaries you've named and the premium guarantee period. Make sure you understand everything in the policy. Under the laws of your state, you may have a "free look" period (typically at least 10 days) during which time you can cancel the policy without penalty.

This news release is brought to you by the commitment and assurance of the A.D. Dern Insurance Agency, Inc., keeping you up to date and aware of the ever changing California Insurance market place. Continue to check back with us for other insurance articles of interest.

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