



HEALTH & WEALTH FINANCIAL PLANNING

GROWTH | PROTECTION | INCOME

5 Things You Need To Know About Life Insurance

1 | LIFE INSURANCE IS A NEED IF OTHERS RELY ON YOU FINANCIALLY

It's vital if you are a spouse or the parent of dependent children; however, you may also require life insurance if you're an ex-spouse, life partner, a child of dependent parents, the sibling of a dependent adult, an employee, a key employer or a key business partner. If you are financially independent, and no one else will suffer financially when you are departed, then you probably don't need life insurance. Yet, you might still consider using life insurance as a strategic financial tool.

2 | LIFE INSURANCE IS MUCH MORE THAN APPLYING A MONETARY VALUE TO SOMEONE'S LIFE

Because it compensates for the financial consequences that accompany the loss of life, life insurance helps the ones left behind to cover final expenses, outstanding debts and mortgages, planned educational expenses and the inevitable loss of income. Most importantly, life insurance can lessen financial burdens at a time when surviving family members are dealing with the unexpected loss of their loved one. Life insurance can also provide vital peace of mind for the policy holder. That's why life insurance is crucial for the single-income-household's bread winner *and* for the stay-at-home spouse.

3 | LIFE INSURANCE IS A CONTRACTUAL AGREEMENT

It's important to understand that life insurance is actually a policy that is a contract between someone or something (like a trust, who has an invested/financial interest in the livelihood and life of someone else) and a life insurance company or carrier. How it works: the insurance company pools premiums of policyholders and pays our claims in the event of a death. The insurance company's profit is the difference between the premiums taken in, and the claims (called death benefits) that are paid out.

4 | LIFE INSURANCE POLICIES INVOLVE FOUR ROLES

The insurer is the life insurance company who pays out claims in the event of a death. The owner of the policy makes premium payments to the insurance company. The insured is the individual or entity upon whose life or livelihood the policy is based. The beneficiary is the entity or individual who will be designated to receive the claim or death benefit in the event of the insured's passing.

5 | LIFE INSURANCE DOESN'T HAVE TO BE COMPLICATED, BUT WORK WITH A PROFESSIONAL AGENT

Although you can find many online tools to help give you an idea of how much money you might pay for the policy you need, it's most advantageous to work with a licensed insurance agent who will walk with you through the application and underwriting process. Your agent may also help you save money by finding the best life insurance carrier for your particular situation.

This list is part of a series by Forbes: "100 Things You Absolutely Need To Know About Money Before You're 35."