balance

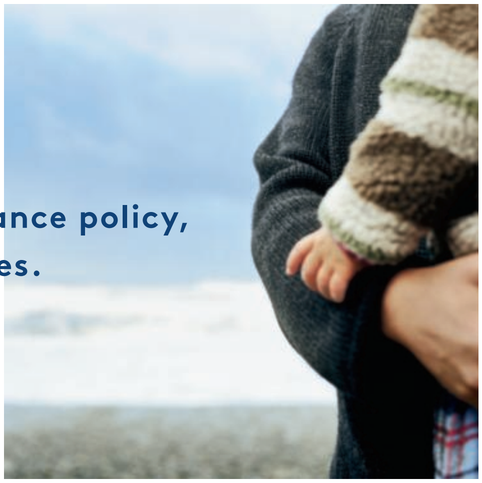
Looking Forward

YOUR PEACE OF MIND PLAN

By Kate Rockwood

The vast majority of people think life insurance is a smart money move—yet only 59 percent say they have coverage. How to go from well intentioned to well protected? These tips from experts make the process a little easier to navigate.

Photographs by Julia Kuskin



The good news: Once you have a life insurance policy, you could be hands-off for decades.

1

Press pause on your assumptions.

With life insurance, sometimes the hardest part is getting started. "Research shows that many people think they won't qualify or won't be able to afford it, but that's generally not true," says James Scanlon, senior research director at LIMRA, an insurance research association in Windsor, Connecticut. In one survey, 86 percent of respondents said they hadn't bought life insurance because it was too expensive—but many overestimated the premiums by more than triple. The good news: Once you have a life insurance policy—unlike health insurance, which you might have to deal with every year—you could be hands-off for decades.

2

Crunch the numbers.

Think of the policy's death benefit as a stand-in for your earning power: If you die, your loved ones will need enough to replace your income at least until they can make other financial adjustments. Before you talk to an agent about how much insurance to buy, run the numbers yourself. Sites like Bankrate.com and Lifehappens .org (an education group formed by insurance-industry organizations) offer online calculators that will estimate how much insurance you'll need to cover any immediate expenses associated with your death and minimize the financial impact on your family.

3

Pick a type of policy.

There are two main kinds. Term life insurance covers you for a defined period, say 20 or 30 years, and is usually less expensive. Whole life insurance covers you for life and has an investment component. "Whole life can be a way to save for retirement or save for education, but for many people there are better ways of doing that, like funding your IRA or 529," says Benjamin Sullivan, a certified financial planner at Palisades Hudson Financial Group in Austin, Texas. There's no right answer for every situation, adds Scanlon, but term policies are simple and provide the most coverage per premium dollar. Life insurance offered as a benefit through your employer is nice, but it's not enough. Some policies are so meager that the death benefit wouldn't carry your family through the calendar year. And when you switch jobs, you can't take the policy with you. Think of this insurance as a free supplement to the real coverage you'll buy yourself.

4

Find an agent...

You'll pay the same amount for a particular policy whether you shop directly with an insurance carrier or through an independent insurance agent in the U.S., says Michael Quinn, an independent agent in Orlando, Florida, and owner of Lifeinsuranceblog.net. But comparing policies can really pay off. Because every insurer uses its own underwriting standards to assess risk, one might see your skydiving habit or type 1 diabetes diagnosis as a costly red flag, while another barely bumps the premiums. Interview at least two agents, suggests Marvin Feldman, president and CEO of LifeHappens .org. Get referrals from friends or online agent locators. Ask: What are their specialties? How many carriers do they work with? Are they a captive agent (meaning they work with one carrier and can't recommend other companies' products)?

5

...or go it alone online.

Sites like Ladder, HavenLife, Fabric, and TruStage can make buying easier. "Instead of filling out a giant stack of forms, taking a medical exam, and then waiting three months to hear if you're approved, you might know within a week or much sooner," says Feldman. They can act fast because they rely on simplified underwriting and algorithms. But know that, as Sullivan notes, "if you're a healthy individual, going through full underwriting can mean lower premiums, which might be worth the hassle." Once you have a plan, paying premiums annually may get you the cheapest rate. And tell the beneficiary! You'll give them peace of mind now—and spare them from tracking down (or even overlooking) the policy in the future.

GETTY IMAGES