

Ten Life Insurance Myths

Myth #1: I'm not married and don't have children, so I don't need life insurance.

Fact: In the unfortunate event of death, life insurance can help the financial goals of loved ones, such as nieces, nephews, cousins or siblings. For a modest premium, you can ensure your debts are covered upon your passing.

Myth #2: Life insurance is expensive.

Fact: Term life insurance is an affordable option for most people. For example, a healthy, non-smoking, 35-year-old female with good family health history may be able to purchase a 10-year policy with a \$250,000 death benefit for an average of \$14.66 per month. Or, she may be able to purchase a 10-year policy with a \$500,000 death benefit for an average of \$14.88 per month.

Myth #3: Stay-at-home parents don't need life insurance because they don't draw an income.

Fact: While a stay-at-home parent may not earn a employee paycheck for the household, they provide services that would cost tens of thousands of dollars to replace. These could include the cost of day care, a chauffeur or taxi service, cooking or a home cleaning service. In the unfortunate event of death, an individual life insurance policy can reduce the financial burden for surviving family members.

Myth #4: You can take your life insurance policy with you from job-to-job.

Fact: Typically, group life insurance purchased through an employer isn't portable, meaning that you leave the life insurance protection behind when you change jobs. However, if you own individual life insurance policies purchased through an insurance agent or a financial professional, leaving a job will have no effect on the coverage. So, if you change jobs, you still have your life insurance policy (even if you no longer have employer-provided group life insurance). Employer-provided life insurance is becoming scarce. According to a 2004 U.S. Department of Labor survey, fewer workers have life insurance benefits: the number has declined eight percent since 1999, with only 48 percent of workers covered by life insurance benefits.

Myth #5: Your beneficiaries will have to pay income taxes on the proceeds of your life insurance policy.

Fact: Life insurance death benefits are generally excluded from income taxes. According

to LIMRA International's Individual Life Buyer Consumer survey, only 34 percent of those surveyed knew their death benefit is tax-free. Death benefits are, however, subject to estate taxes if the insured owned or had ownership interest in the policy.

Myth #6: You are not covered by your life insurance policy if you travel abroad.

Fact: In the unlikely event an insured passes away while in a foreign country, the policy would most likely pay out to the beneficiaries. However, many life insurance policies exclude certain countries, such as those currently on the U.S. Department of State's Travel Warnings List; so it's important to review a policy prior to leaving the country and to talk with your agent or financial professional if you have any doubts or questions.

Myth #7: Term life insurance policies can't be converted to permanent or whole life insurance policies.

Fact: It is possible to convert a term life insurance policy into a permanent policy, depending on the policy purchased. However, individuals seeking to do so should expect an increased premium. In addition, the conversion may have certain limitations or require renewals. Term insurance is a popular option with younger individuals because it may make obtaining a preferred premium easier when they attempt to convert in the future.

Myth #8: You don't need life insurance once your children are adults.

Fact: Life insurance can aid the inheritance left to children or other loved ones, or help relieve the burden of paying for funeral or medical bills.

Myth #9: Kids don't need life insurance.

Fact: Parents commonly dismiss life insurance for children because they don't earn an income. Purchasing life insurance for children is a sensible option because of the lower premiums. It also strengthens child's future insurability in the unfortunate case that they become ill to not qualify for life insurance.

Myth #10: You don't need life insurance if you have substantial personal savings.

Fact: Most Americans unfortunately do not have substantial personal savings. According to a June 2005 U.S. Department of Commerce Bureau of Economic Analysis, the personal savings rate as a percentage of disposable personal income was only nine percent at the end of the first-quarter 2005. Without adequate savings, families are unlikely to have the ability to pay off final expenses or retain assets, such as their home.