FINANCIAL PROTECTION PLANNING

Term life insurance

70%
OF FAMILIES WOULD STRUGGLE FINANCIALLY WITHIN MONTHS*

WHY IT MATTERS

Life insurance exists to replace the financial contribution you make to your household. If you died unexpectedly, could your family maintain their lifestyle, pay off the mortgage, fund college, and retire comfortably — without your income?

For most working adults with dependents, the answer is no. **Term life insurance** is the most straightforward, affordable way to close that gap during the years it matters most.

It's also worth insuring a **non-working spouse.** The economic value of childcare, household management, and caregiving is real — typically estimated at \$100,000–\$180,000 per year to replace.

HOW TERM LIFE WORKS

Term life pays a **tax-free lump sum** (the death benefit) to your beneficiaries if you die during the policy's term. If you outlive the term, the coverage simply expires — no cash value accumulates.

Key features to understand:

- **Level term** — premium and death benefit stay fixed for the entire term; the most common and recommended type
- **Term length** — typically 10, 15, 20, or 30 years; chosen to match your financial obligations
- **Convertibility** — many policies allow conversion to permanent life insurance without new underwriting
- **Riders** — optional add-ons like waiver of premium, accelerated death benefit, or child riders
- **Renewability** — some policies allow annual renewal after the term, though premiums increase significantly

TERM VS. PERMANENT LIFE

Term insurance is pure protection — lower premiums, straightforward coverage, no investment component. Best for:

- Income replacement during working years
- Covering a mortgage or other debt
- Funding children's education
- Maximizing coverage per premium dollar

Permanent insurance (whole, universal) never expires and builds cash value, but costs 5–15x more for equivalent coverage. Best suited for estate planning, business succession, or permanent income replacement needs.

For most families, the right answer is **term first** — buy adequate coverage now while it's affordable, then revisit permanent needs as wealth builds.

10–12× your annual income is the most common starting point for estimating how much coverage you need

\$30/mo approximate cost of a \$500,000 20-year term policy for a healthy 35-year-old — less than most streaming subscriptions

102M American adults are uninsured or underinsured — many overestimate the cost of life insurance by 3x or more

RULES OF THUMB

Coverage amount

Start with 10–12× gross income, then add outstanding debts, future education costs, and subtract existing assets.

Term length

Match the term to your longest financial obligation — typically the mortgage payoff date or youngest child's college graduation.

When to buy

Buy as young and healthy as possible. A health event can make you uninsurable or dramatically raise premiums. Don't wait.

Review triggers

Revisit coverage after marriage, divorce, a new child, a home purchase, a major income change, or business ownership.

*LIMRA, 2023 Insurance Barometer Study. This handout is for educational purposes only and does not constitute insurance or financial advice.