

## Four Life Insurance Mistakes to Avoid



Life insurance protects your family from feeling the full financial impact of one's passing. It is a product that you purchase now to protect your loved ones in the future. And while the process of [purchasing life insurance](#) and maintaining coverage is straightforward, there are a few pitfalls to be avoided.

### 1. Not keeping your beneficiaries up to date.

A beneficiary is the person or legal entity that will receive the death benefit from an active life insurance policy when the insured passes away. As the policy owner, it is your responsibility to name the beneficiary or beneficiaries you wish to receive the policy's payout.

If your beneficiary passes away before you do, or if you haven't named a beneficiary by the time of the insured's death, your life insurance proceeds will be paid to the estate of the deceased. The death benefit would then have to go through the probate process and potentially be subject to creditors and estate taxes. As a result, the estate beneficiaries would have to wait for the probate process to complete before they could access the funds, and the funds may end up depleted by the estate's debt and taxes. Furthermore, it could mean that the money never reaches your intended beneficiary (e.g., if you wished a business partner to receive a portion of the payout but the estate was only distributed to relatives).

Every time something changes in your life – whether it's having a child, getting married or divorced, or making a large purchase – make sure that your beneficiaries are up to date. Contact your life insurer for a change of beneficiary form.

**Note:** Retirement accounts, investment accounts, and bank accounts all accept beneficiary designations. These accounts, then, can be paid to the beneficiary upon the death of the owner without having to go through probate. Every time you update your life insurance beneficiaries, make it a habit to check your other beneficiary designations.

### 2. Not having life insurance coverage outside of your employer.



Whether you have group life insurance coverage through a civilian employer or SGLI through your military service, your coverage does not stay with you after you leave your job, meaning that your beneficiaries will only receive the death benefit if you pass away while you are still in your working years. Getting coverage outside of work ensures your family will have a financial safety net no matter your employer.

Remember, too, that group life insurance through your employer may only be twice your annual salary or less – SGLI maxes out at \$400,000 – and that may not be enough coverage for your family. Use our [Basic Life Insurance Needs Calculator](#) to estimate how much coverage you need to protect your loved ones.

### **3. Not getting coverage soon enough.**

The cost of life insurance increases as you age or as your health declines. Most life insurance companies will ask you to undergo a medical examination with your application depending on your age and the amount of coverage requested. It is important to be as healthy as you can be when you apply so that you qualify for the best rates. Unfortunately, many people don't think of life insurance until it becomes abundantly clear that they need it – often later in life after acquiring a health condition.

The longer you wait to buy coverage, the more expensive it gets. [Policygenius](#) reports that the cost of life insurance premiums increases between 4.5% and 9% for each year that you put off purchasing coverage. Every time something changes in your life and you determine that you require more coverage as a result, it's in your best interest to start shopping – don't procrastinate!

Read more: [Why You Should Buy Life Insurance When You Are Young](#)

### **4. Not telling anyone you have coverage.**

Though it can be uncomfortable to talk to your loved ones about death, consider making your beneficiaries aware of their beneficiary status. Providing them with information about the policy (including the insurer's name, contact information, and your policy number) will help make it easier for them to initiate a claim when the time comes. You could also use the conversation as an opportunity to provide insight into what you would like to happen with the death benefit.

If your beneficiary does not know that they are a beneficiary, they might experience delays in the claims process that could have otherwise been avoided.

Navy Mutual is here to help – during Life Insurance Awareness Month, and always. We proudly do everything in our power to provide affordable life insurance products to current and former servicemembers and their families. To schedule an appointment with a representative to discuss your family's needs, [click here](#), or email us at [counselor@navymutual.org](mailto:counselor@navymutual.org).