

Five Things You Might Not Have Known About Life Insurance



September is Life Insurance Awareness Month, although it is entirely possible that life insurance has been on your mind since the start of the COVID-19 pandemic. The pandemic has focused the attention of many in our country on the need to ensure the financial safety of their family. Ensuring that financial security is even more challenging when the pandemic creates so much uncertainty in the job market, financial markets and everyday living.

There is an old proverb that tells the two best times to plant a tree. The best time is twenty years ago, and the second time is today. If you are in the market for life insurance, or are not sure whether you need to be, there is no better time than today to “plant the seed” of financial security for your family starting with five basic facts of life insurance you might not have known.

1. There are different kinds of life insurance.

You may have heard of both term life and permanent life insurance, which are the two main types of life insurance, but if you break it down further, you will find that there are several options within these main categories.

- **Term life insurance:** Term insurance provides coverage for a set period of time. This type of insurance is there to create a financial safety net for your family should you die unexpectedly during your working years. There is no cash value to a term life insurance policy; it will only pay out benefits should the policyholder die within the selected term.
- **Servicemembers' Group Life Insurance (SGLI):** SGLI is automatically available to service members for the duration of their time on active duty through 120 days after their separation or retirement.



- **Veterans' Group Life Insurance (VGLI):** VGLI is available to service members who apply within 16 months after their separation or retirement from service.
- **Employer-sponsored group life insurance:** Employers often sponsor group life insurance policies for their employees, often at no cost to the employees. Note that coverage amounts are typically low, and that coverage ends when employment ends, regardless of the reason.
- **Level term life insurance:** Level term life insurance is a type of term insurance in which the premiums are guaranteed to remain the same (level) throughout the length of the policy term.
- **Permanent life insurance:** Permanent life insurance is designed to last throughout your life and to provide for your family after your passing. It will provide benefits regardless of when the insured dies. It also usually provides a savings element known as cash value, which is available should the policyholder need to take out a loan, make a withdrawal, or terminate the policy.
- **Whole Life insurance:** Whole Life insurance provides a guaranteed level death benefit for a fixed premium paid throughout the policyholder's life.
- **Universal Life insurance:** Universal Life insurance provides an adjustable death benefit (either level or increasing) and flexible premiums based on interest and investment performance.
- **Variable Life insurance:** Variable Life insurance allows the policyholder to choose where to invest their premiums between different investments with varying levels of risk. The death benefit depends on market performance.

2. It is not as expensive as you think.

According to LIMRA's [2020 Insurance Barometer Study](#), half the population overestimates the cost of term life insurance by more than three times. You would not be out of place with most Americans if you thought a \$250,000 term life policy for a healthy, non-smoking 30-year-old person would cost you more than \$500 per year. Fortunately, this is not usually the case. The same study found that the average annual cost of a similar policy is \$160.

Here at Navy Mutual, a 10-year term insurance policy for a healthy, non-smoking male costs only \$102 per year, while it's even less expensive – \$93 – for a healthy, non-smoking female.

Permanent life insurance is more expensive than term life insurance, but provided the policy stays in good standing, your beneficiary is guaranteed a payout.

3. Life insurance is not for you, it's for your family.

Being the owner of a life insurance policy means that you are taking steps to protect your loved ones, not yourself, in the event of your death. By making your spouse or child the beneficiary of your policy, you ensure that they will have funds to cover the cost of your final arrangements, any outstanding debt that may need to be paid off, and any other financial goals of your choosing. Depending on the value of your policy, you could provide enough money to cover the cost of your child's education, pay off the mortgage on your home, or simply leave money as a form of retirement income for your spouse.

4. The earlier you purchase life insurance, the better.

The younger you are when you purchase your life insurance policy, the more likely you are to be a healthy individual. When pricing premiums, life insurance companies consider your age, habits (such as



smoking), and overall health. If you wait until you *need* life insurance because of a diagnosis or simply old age, you will face higher premiums—*if* you are insurable.

5. You could see a payout before your death.

Accelerated death benefits are normally available through the use of insurance riders added to your policy. These ensure that the insured party gets additional protection should there be a change in circumstances. For example, a disability rider would grant you income payments for a set period of time in the form of an annuity upon diagnosis or onset of a qualified disability, while a long term care rider would grant annuity payments to help cover some of the cost should you need to go into a nursing home or receive home health care. A terminal illness rider would provide your death benefit early if your life expectancy was under a specified amount of time, typically a year.

Navy Mutual's Chronic Illness Option and Terminal Illness Option are included at no additional cost with Flagship Whole Life policies, but other insurers often charge an additional premium cost for these types of riders.

Navy Mutual is here to help — during Life Insurance Awareness Month, and always. To schedule an appointment with a representative to discuss your family's needs, [click here](#), or email us at counselor@navymutual.org.