



Preparing for the future:
**Your guide to
life insurance basics**

Protective 

Table of Contents

- 3. Introduction**
- 4. Life insurance FAQs**
- 6. Life insurance glossary**
- 8. Types of life insurance**
- 10. 6 myths about life insurance**
- 12. 5 facts about life insurance**
- 13. How much life insurance do I need?**
- 15. A checklist for first-time buyers**
- 17. Tips for buying life insurance**
- 19. Reviewing your life insurance**
- 21. Conclusion**

Introduction

If there's one thing you can expect in life, it's that the unexpected can happen at any moment.

You can't avoid the unexpected, but you can do your best to be prepared. This is especially true when it comes to protecting your loved ones from an uncertain financial future.

That's where life insurance can help.

What is life insurance?

Life insurance is a contract between a life insurance company and a person or legal entity. The life insurance company agrees to pay a certain amount of money to a beneficiary upon the death of the insured, as long as required premium payments are made on time.

Life insurance can offer you peace of mind that your family will have some financial protection after you pass away. However, while this peace of mind sounds great, understanding how life insurance works and how to buy life insurance can be confusing.

We know that you probably have a lot of questions, including:

- How does life insurance work?
- Do I really need life insurance?
- Can I afford it?

We're here to help you through the process. This life insurance information guide busts life insurance myths, offers explanations and provides resources like a checklist for first-time buyers.

Ready to learn more about life insurance? Let's get started!



Life insurance FAQs

Have questions about life insurance? You're not alone. Life insurance is a vital part of sound financial planning, but it can often seem like a complex and confusing topic.

The good news? There are answers. Whether you're just getting started learning about life insurance or are curious about what you need as you move into a new stage of life, we can help.

Here are 10 common questions we receive about life insurance.

Q: How does life insurance work?

A: For most people, the process of getting life insurance is relatively straightforward. When you apply for life insurance, the insurance company assesses your potential risk of dying and sets a premium based on various information, such as your age, gender and overall health. Once the premium is determined, you begin paying it to the insurance company. If you pass away while the policy is in force, the insurance company pays your **beneficiary** a death benefit. (Note: An insurer generally has a two-year period during which it may avoid its obligation to pay a death benefit on the grounds of a material misrepresentation in the application process.)

Q: What happens during the medical exam?

A: These exams are typically pretty routine and are usually done in 30 minutes or less. They include height, weight and blood pressure checks, urine and blood samples, and a request for medical records. Protective covers the cost of your exam.

Q: If I have a medical condition, does that mean I can't get coverage?

A: Not necessarily. It depends on the medical condition, the insurance company, the policy and other factors. With some medical conditions, you could simply end up paying a higher premium.

Q: Can I get life insurance without a medical exam?

A: Yes. However, depending on the carrier, there may be limits to the amount of coverage you can purchase without a medical exam.



Q: Isn't my life insurance policy through work enough?

A: For most people, employer-based policies aren't enough. Here's why:

- These policies often don't provide enough coverage to replace your income for very long. That could leave your family struggling financially if you don't have additional coverage.
- The policies typically end soon after you leave the job. That means if you quit your job or get laid off or fired, your family could find themselves without coverage when they need it.

Q: I'm young and single. Do I need life insurance?

A: Buying life insurance can help protect loved ones, such as your parents, from having to pay for your burial costs and other financial distress — this can be particularly helpful if you have debts such as a mortgage or student loans. The younger and healthier you are when you purchase, the lower your premium typically will be.

Q: I'm a stay-at-home parent and my spouse works, isn't their coverage enough?

A: A [2019 study](#) found the estimated salary for a stay-at-home parent was worth nearly \$180,000 a year. All the work you perform around the house and with your kids would need to be replaced. [A life insurance policy can help cover those costs.](#)

Q: I've just had a significant life change. Should I re-think my life insurance coverage?

A: Events such as a marriage, a new baby or a divorce are perfect times to look at your current policy and re-evaluate your needs. You might want to change the amount of coverage you have or update your beneficiaries. Your life insurance representative can work with you to determine the best options for your new situation.

Q: I'm about to retire. I don't need life insurance anymore, do I?

A: It depends on your financial situation. If you have significant retirement savings, [you might not need more than a small policy to help cover burial costs.](#)

Q: How much does life insurance cost?

A: A policy will likely cost less than you think. A [2020 study](#) shows that half of all consumers believe life insurance costs more than three times the actual price.

The time to start thinking about life insurance is now. Life insurance may be more expensive to buy as you get older and your health changes. Some health conditions may make it difficult to qualify for coverage at all. You may be surprised at how much term coverage you could afford right now.

Find out in just a few minutes! [Get a free term life insurance quote from Protective Life.](#)

Life insurance glossary

Learning key terms can help you feel more confident about your life insurance know-how, especially as you start shopping for coverage.

Here are some of the basic life insurance terms you should know.

Term life insurance

Term life insurance is a type of policy that covers a specific period, for example, 10, 15, 20, 25, 30 or 40 years. As long as you pay your premiums, you'll have coverage for the specific term outlined in your policy. If you pass during that term, your beneficiaries get a payout, known as the death benefit. If you pass after the term expires, there's no payout.

Universal life insurance

Universal life insurance is a type of permanent life insurance policy that has a cash value component. It also offers flexibility in death benefits and premium payments. Unlike term insurance, permanent policies are meant to provide coverage for your entire life as long as sufficient premiums are paid.

Whole life insurance

Whole life insurance is another type of policy that provides permanent coverage for the remainder of your life. The policy is valid as long as you pay your required premium payments on time and contains a cash value component as well.

Premium

The payments you make to keep your life insurance policy in force are called premiums. Depending on your policy's terms when you purchase it, premiums can be scheduled monthly, quarterly, semi-annually or annually.

Owner

An owner — or policyholder — is the person who owns a life insurance policy. Policyholders are the only ones who can receive information about or make changes to the policy, such as updating the beneficiary.



Beneficiary

A [beneficiary](#) is who the death benefit will go to after you pass (as long as you have continued to pay your life insurance premium on time over the policy's life). A beneficiary can include one or multiple people, as well as a charity, trust or organization, among other options.

Death benefit

The death benefit is the amount your policy will pay to your beneficiary when you (the insured) pass. How much is paid depends on your policy and the benefit level you initially selected.

Underwriting

The process through which an insurer decides whether it will provide you with life insurance based on potential risks associated with your age, past medical history and other factors. The underwriting process also helps determine what your premium may be.

Rating

During the underwriting process, the life insurance company will give you a health [classification rating](#). It's used to help determine premium payments. In general, the healthier and younger you are, the less risk you pose to the carrier, which allows them to charge relatively less in premiums.

Term

A term is the time period covered by a term life insurance policy. It could be for as little as one year or as long as 40 years, depending on the carrier.

Lapsed

When premium payments are missed beyond the applicable grace period, the policy is said to have lapsed. When a policy has lapsed, it is terminated, and no death benefit will be payable.

Maturity

For many whole life and universal life policies, the payment of all scheduled premiums means the policy has matured. Premiums no longer need to be paid, and the death benefit or cash value, depending on the policy, will be paid to the policy owner.

Riders

For an additional expense, you can add other benefits to your life insurance policy. These are referred to as [policy riders](#) or endorsements. Depending on your needs, these add-ons can enhance your existing coverage in a variety of ways. Common riders include guaranteed insurability, waiver of premium, child rider and accelerated death benefit.

Want to learn more? [Check out Protective Life's library of Learning Center articles.](#)

Types of life insurance

Feel like there are a lot of different types of life insurance out there and you don't know where to start? With names like permanent, whole life and term, it can feel like you have to sort through an endless array of choices.

The good news is most people only need to worry about a handful of types of policies and coverage. Regardless of the [coverage you choose](#), life insurance has an essential purpose: to help offer financial protection to your loved ones after you pass away.

With that concept in mind, let's review the basics of some common policy types.

Term life insurance

[Term life insurance](#) provides coverage for a set period. Some consider it temporary life insurance, even though the policies can range from 10, 20, and 30 to 40 years. Term premiums typically remain the same throughout the coverage period.

Whole life insurance

[Whole life insurance](#) is designed to remain in force as long as the insured lives (and premiums are paid). Whole life insurance comes with guarantees that the premium will never change and that the policy will earn cash value according to the terms of the policy.

Permanent life insurance

[Permanent life insurance](#) is sometimes referred to as "cash value insurance." As long as the premiums are paid, the cash value of a permanent policy can be borrowed and repaid, which is a popular feature of this type of life insurance policy.

Universal life insurance

[Universal life insurance](#) is a form of permanent life insurance. It offers more flexibility than term or whole life. The policy can be used to provide coverage permanently, as long as premiums are paid, until the death of the insured, just like whole life insurance.



Variable life insurance

Variable life insurance is another type of permanent life insurance. It has an extra component that offers the potential for tax-deferred cash value growth. A variable life insurance policy is riskier than a traditional whole life policy due to its investment-like component.

Group life insurance

Group life insurance is most commonly provided as part of an employee benefits package. The employer determines the amount of coverage offered, and you can choose to opt-in. Usually, the benefit is a multiple of a salary — e.g., two times your salary.

Burial life insurance

Burial or final expense insurance helps cover funeral and burial costs. Today, the **median cost of a funeral** is nearly \$8,000. Because the death benefit is typically small on these types of policies — just enough to cover your needs — premiums can often be very affordable.

Choosing a policy doesn't have to be complicated. Protective Life can help. Answer a few questions and our [Find a Policy Tool](#) will help you find the coverage that may best fit your needs.



6 myths about life insurance

There are some common myths around life insurance, and you've probably heard a few of them yourself. These myths might be why you think life insurance isn't something you need or is too expensive.

We're here to dispel some of these myths and provide information that could help you decide what's right for you and your family.

Here are 6 common myths about life insurance and information to help you separate myth from fact.

Myth 1: Life insurance through work is all you need.

There's no doubt that having life insurance through your employer is good. But many employer-sponsored plans are limited in how much coverage they can offer. You'll also need to know if you can bring your policy with you if you change jobs or get laid off. Otherwise, you might be without coverage when you need it most.

Myth 2: If you're single or young, you don't need life insurance.

Even if you have no dependents that doesn't mean your loved ones won't have to cover your funeral expenses or existing debts after you pass. Securing life insurance while you are young often means you can get lower premiums than an older person. Plus, having a policy can help you have some financial protection in place for future life changes — including getting married or starting a family.



Myth 3: Only the breadwinner of the family needs life insurance.

A stay-at-home spouse may not earn an income in the traditional sense, but they are vital to keeping the household running. With that spouse gone, life can suddenly get a lot more challenging and expensive. Life insurance can help defray some of the costs of hiring people to cover child care, meal preparation, transportation, housekeeping and more.

Myth 4: You don't need to review your coverage.

Life insurance isn't a set-it-and-forget-it proposition. Every [significant life event](#) — marriage, a new baby, divorce, buying a house or retirement planning — is a reminder to check your coverage. Even with no big changes, review your policy every year to ensure that you're keeping pace with your needs and still getting the best value for your premium dollars.

Myth 5: You're better off investing your money rather than buying life insurance.

You're taking a big chance when you depend solely on your investments to take care of your family. If you die without coverage, there may be no means to provide for them after those assets are gone. Establishing a life insurance policy outside your investments can help ensure that your family has enough readily available cash to last them for the long term.

Myth 6: Life insurance is "too expensive."

According to the [2019 Insurance Barometer Study](#) from Life Happens and LIMRA, most people believe it is important to have life insurance. Yet, those same people don't buy life insurance either because they believe it is too expensive or they have other financial priorities. But when asked to guess how much a \$250,000 20-year level term life insurance policy would be for a healthy 30-year-old, more than half of Americans overestimate the true cost by three times or more.

Don't let the myths stop you from choosing the right coverage. Know the facts about the types of life insurance available to you so you can determine the best options to meet your needs. [Visit the Protective Learning Center to read more.](#)

5 facts about life insurance

1 in 3 people

say they do not have enough life insurance¹



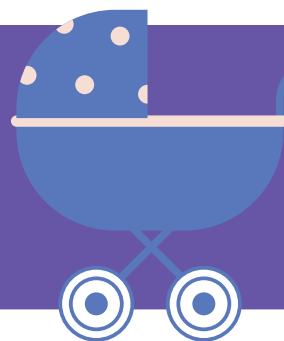
1/2

Half of the population estimates the cost of life insurance at more than three times the actual cost.



40%

of insured people wish they had purchased their policies at a younger age¹



If the primary wage earner passes away, **44% of consumers** surveyed reported that they would **feel a financial impact within six months** and 28% within one month.¹

Top 3 reasons people buy life insurance:²



39% Replace income



18% Pay off mortgage



18% Transfer wealth

Sources:

¹https://s3.amazonaws.com/external_clips/attachments/3666874/original/2020_InsuranceBarometerStudy.pdf? 1608570795

²https://s3.amazonaws.com/external_clips/attachments/3666875/original/2020_Life-in-Life-Stages.pdf? 1608570811

How much life insurance do I need?

As you start getting serious about buying life insurance, you're probably going to have one big question: How much do you need?

The answer is, it depends. But there are some questions you can ask yourself that will help make it a lot easier to figure out your needs.

If you were to pass away, how much money would your family need each month to maintain their current standard of living?

It's a foundational question to answer, so make sure you take some time to run the numbers. Start by reviewing your monthly bank statements so you can get an estimate of your income and expenses. For this number, you don't want to guess. Otherwise, you might underestimate what you need.

What are your current assets?

Next, take a look at your current assets. Go over your savings account and your other investments, including retirement savings through a 401(k) or Individual Retirement Account. Don't forget to include any other assets you might have, such as additional life insurance policies.

How much debt do you have and when will it be paid off?

In addition to your assets, look at your debts. Debts can include your mortgage, car loan, credit card debt, student loans and unpaid medical bills. Also, think about the timeline for paying some of these debts off. Make sure you factor all of it into your life insurance calculation because any debt you are carrying will pass to your loved ones. Your life insurance death benefit can help cover some of these costs.



Do you have a stay-at-home spouse?

A common life insurance myth is a stay-at-home parent caring for young children doesn't need life insurance. The fact is, even a stay-at-home parent who isn't drawing a paycheck contributes a significant value to running your home and taking care of the kids. Think about the estimated costs associated with having to hire a full-time caregiver for your children if your spouse should pass.

Have you factored in additional expenses unique to your situation?

Income replacement is just one factor you need to worry about. If you have unique costs or people to care for, you'll need to consider their long-term needs. Don't forget to include additional expenses such as funeral costs, final medical bills, the cost of college, the care for special needs children or funds for taking care of an elderly relative. Add up these further expenses and include them in your calculations.



Need help? Try Protective's Life Insurance Needs Calculator.

A checklist for first-time buyers

Have you had “buy life insurance” sitting on your to-do list for a while? We get it, but one thing you don’t want is to wait too long and be left unprotected.

To help you streamline the process, we’ve compiled a checklist that walks you through shopping for life insurance.

Step 1: Know your life insurance options.

Most people will find a [term, whole or permanent life insurance policy](#) that works for them. Term life insurance covers you for a set period, while permanent life insurance covers you for life as long as you pay your required premium payments on time.

Step 2: Assess your life insurance needs.

The next step is [deciding how much coverage you need](#). This number is different for everyone and should balance what you would like to leave for your loved ones with what you can afford. A person who wants to ensure their family is financially secure will have different policy needs than someone who only wants to cover their burial expenses.

Step 3: Decide how to get your policy.

Next on your life insurance checklist is choosing how you will purchase your policy. Do your research. Checking [insurance company ratings](#) and reading consumer reviews can help you select a life insurance company.

Step 4: Complete the life insurance application checklist.

Once you’ve decided on your policy and the insurance company, it’s time to begin your application. Prepare to submit some personal information, including your:

- Name
- Date of birth
- Height and weight
- Income
- Doctors names and phone numbers
- Potentially risky occupations or hobbies
- Health issues

You may be asked to complete a quick medical exam, which can usually be completed in less than 30 minutes.



A checklist for first-time buyers

Step 5: Choose your beneficiaries.

Your **beneficiary** is the person(s) or entity(ies) who you've designated will get the death benefit payout from your policy once you pass, assuming you have paid all your premiums. It's common to choose a spouse, adult child, parent or sibling.

Step 6: Choose your riders and payout options.

A **rider** is an optional coverage you can add to your policy. Riders can enhance your life insurance coverage, but they can also increase your premium costs. As you look into riders, think about what's most important to have and how that might translate to a higher premium.

Step 7: Finalize your policy.

Once you've completed all the steps, the insurance company will review your application and assess your risk. If you're approved, you'll need to sign some paperwork and arrange for your initial premium payment. From there, you'll continue to pay your premium per the policy requirements.

Ready to start shopping for the coverage that fits your needs? [Get a free term life insurance quote online in just a few minutes.](#)



Tips for buying life insurance

You've done your research, and you have a good idea of what kind of policy you need. Now it's time to buy.

Before you jump in, consider these tricks of the trade that can make the process of getting life insurance a bit easier.

Tip 1: Crunch the numbers.

You won't get very far shopping for life insurance if you don't take the time to figure out how much you need. Life insurance is serious protection, so the last thing you want to do is guess or underestimate your needs. A good place to get started is with the [Protective Needs Analysis Calculator](#).

Tip 2: Check your budget.

Life insurance is a lifelong commitment. You don't want to buy a policy today, only to have it lapse a year later. Then you're right back where you started. You want to buy enough coverage to meet your needs and fit within your [monthly budget](#).

Tip 3: Rate shop.

As you shop for a life insurance policy, get quotes from at least three life insurance companies. When you have multiple quotes, you can compare the pros and cons of each and determine what's the best policy to meet your needs and your budget.

Tip 4: Compare apples to apples.

When getting price quotes on life insurance, make sure you're comparing similar products. Because term life generally has lower premiums than a permanent life policy, there can be a big price difference for a \$50,000 term policy compared to a \$50,000 permanent policy. Depending on your coverage needs, it's essential to look at every angle, not just the monthly premium.



Tip 5: Explore the policy rider options.

While you're comparing your life insurance quotes, look and see if any of the policies you're considering have additional riders available. Some of these "add-on" benefits come standard, while others are optional and can carry an additional cost. Understanding the policy riders available to you may help you decide if paying a bit more for a policy that includes built-in benefits is worth the extra cost.

Tip 6: Ask questions.

It's natural to have questions throughout the life insurance buying process. After all, this is a big decision. Never be afraid to ask questions. A representative can guide you through the process and answer questions you have on your premiums, policy riders, beneficiaries and anything else you need.

Tip 7: Prepare for your medical exam.

Most life insurance companies will require a medical exam that typically includes a blood draw and urine sample. Some insurance companies will let you get the exam at home. Read and follow any instructions regarding how you should prepare for your exam so it can go smoothly.



Your life insurance policy is there to help financially protect the people you love after you're gone — so it's critical you buy your life insurance from a reputable company. [Learn more about selecting a reliable life insurance company in the Protective Learning Center.](#)

Reviewing your life insurance

Your life doesn't always stay the same, so why should your life insurance? As your situation changes, so do your life insurance needs. That's why it's essential to review your insurance consistently. Most experts suggest annually.

There are key milestones that can impact your life insurance needs. As you encounter these, it's a good idea to call your life insurance agent and go over your policy.

Milestone 1: Getting married

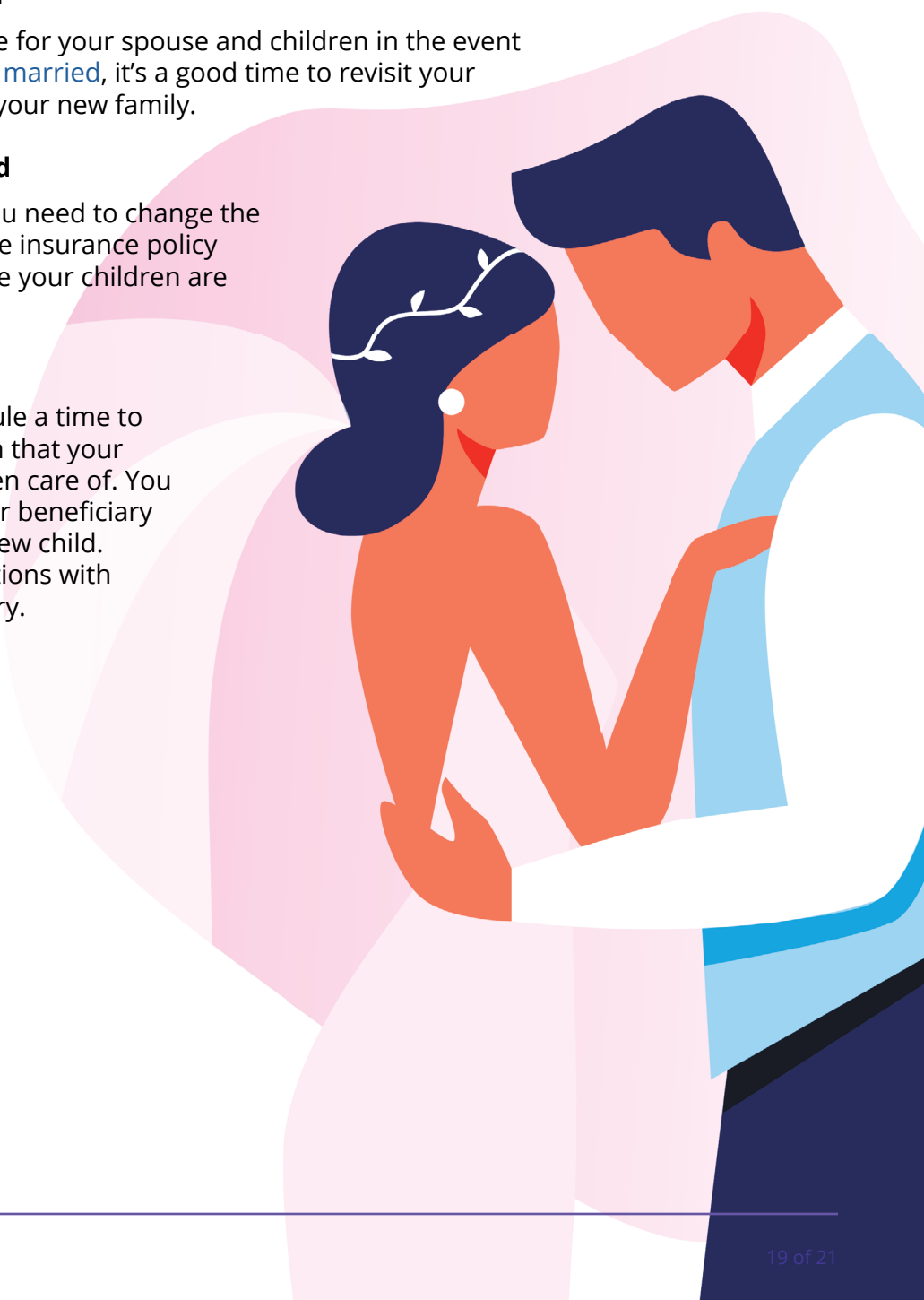
Life insurance can help provide for your spouse and children in the event of your death. If you're [getting married](#), it's a good time to revisit your policy and find the best fit for your new family.

Milestone 2: Getting divorced

[Getting divorced](#) may mean you need to change the beneficiary, purchase a new life insurance policy or make adjustments to ensure your children are provided for.

Milestone 3: Having a baby

When you have a baby, schedule a time to review your policy and confirm that your children's needs would be taken care of. You also might want to update your beneficiary designations to include your new child. Be aware that there are limitations with naming a minor as a beneficiary.



Milestone 4: Buying a home

When [purchasing a home](#), refinancing or extending your mortgage, your life insurance policy may not be enough to cover the increased debt load. Consider whether your policy should pay the balance that your loved ones would be responsible for in the event of your death.

Milestone 5: Investing in a business

Business owners also need to think about life insurance — changes in your business's value impact your life insurance needs. If your business is highly reliant on a [key person](#), you might want to review the potential financial risk of losing that person.

Milestone 6: Changes in health

How would you pay your life insurance premium in the event of an unexpected disability or health issue? Go over your policy to check and see about the riders available to you and can help cover your life insurance premium in the event of an illness or injury.

Milestone 7: Planning your estate

If you're concerned that your family may have to sell assets to pay the taxes on their inheritance, life insurance may be an option for you. In some circumstances, life insurance can reduce the tax burden while providing for your medical and funeral expenses at the same time.

Your life insurance policy was never meant to be a set-it-and-forget-it document. That's why it's so important to keep your life insurance policy up to date. Visit the [Protective Learning Center](#) for more articles on how to manage some of these significant life changes.



Conclusion

We hope you've enjoyed this life insurance resource and that it's helped answer some of your biggest questions about how life insurance works and how to buy life insurance.

As you continue to prepare for the future, consider these basic life insurance tips:

- Don't put off buying life insurance since age and health can affect cost and coverage.
- Do your research and don't believe the myths.
- Know how much coverage you need. ([Here's a calculator to help.](#))
- Buy from a reputable company.
- Review your coverage regularly as your family's needs change.

Remember, life insurance is about protecting those you love. Keep these tips in mind and you can rest easy knowing your family is protected.

Want more information about preparing for the future? Visit the [Learning Center](#) on protective.com for articles, videos and expert insights on budgeting and saving, retirement planning, life insurance and more.



About Protective Life Insurance Company

Founded in 1907, Protective Life Corporation (Protective) is on a mission to help more people achieve protection and security in their lives. Across its life insurance, annuity and asset protection solutions, the Company helps more than 12 million people protect what matters most. Protective's more than 3,500 employees put people first and deliver on the Company's promises to customers, partners, colleagues and communities — because we're all protectors.

*Use of the MONY Marks is under license from AXA Financial Inc and its affiliates.

All Learning Center articles are general summaries that can be used when considering your financial future at various life stages. The information presented is for educational purposes and is meant to supplement other information specific to your situation. It is not intended as investment advice and does not necessarily represent the opinion of Protective Life or its subsidiaries.

Learning Center articles may describe services and financial products not offered by Protective Life or its subsidiaries. Descriptions of financial products contained in Learning Center articles are not intended to represent those offered by Protective Life or its subsidiaries.

Neither Protective Life nor its representatives offer legal or tax advice. We encourage you to consult with your financial adviser and legal or tax adviser regarding your individual situations before making investment, social security, retirement planning, and tax-related decisions. For information about Protective Life and its products and services, visit [protective.com](#).

Companies and organizations linked from Learning Center articles have no affiliation with Protective Life or its subsidiaries.

Protective and Protective Life refers to Protective Life Insurance Company (PLICO) Brentwood, TN and its affiliates, including Protective Life & Annuity Insurance Company (PLAIC) Birmingham, AL.

WEB.2484639.02.21