How to Pick an Insurance Policy

Life insurance is a critical element to managing your wealth and protecting your family in the event that something happens to you. Plans are designed to offer an infusion of income, so your loved ones won't have to worry about money while they are grieving.

And yet only 52% of the population has life insurance, according to the 2021 Insurance Barometer Study from LIMRA. LIMRA also reports that the people who are insured might be underinsured, meaning they don't have enough coverage to adequately provide for their beneficiaries or cover their debts.

This resource will give you some basic guidance on how to pick the optimal policy and when to work with your professional to update your coverage.

Steps to Picking the Optimal Insurance Policy

1. Determine your goals. Some common ones include:

- [ ] **To leave a benefit for your survivors.** If so, do you want them to receive a:
    - one-time, lump-sum benefit or
    - a stream of income over time
- [ ] **To replace your income.**
- [ ] **To pay off debts.** Will your estate need to pay off any debts after your death?
- [ ] To cover mortgage expenses
- [ ] **To provide for business expenses.** If you own your own business, will you want to ensure your workers get paid? Do you need to leave some resources to help your team hire a replacement?
- [ ] **To give back to the causes you're passionate about.** Is there a particular charity or charitable cause you want to leave some money to?
- [ ] **To replace your income.**

2. Conduct a needs analysis with your professional. A needs analysis will help you determine how much coverage you need. The basic things to look at in a needs analysis are your:

- debt obligations (car loans, mortgages, etc.)
- income (lifetime earnings that may need to be replaced)
- education expenses (making sure that the kids can go to college no matter what)
- final expenses (funeral, taxes, medical expenses, etc.)
- whether you have additional resources or policies already in place

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A professional will dive much deeper than those four elements, including into your tax obligations, to determine your coverage needs.

3. Identify whether you want a term or permanent policy - or a mixture of the two.

Term insurance allows a larger amount of protection for a specifc time period. You might want to consider term if you want more coverage, but your budget is constrained, or you want to pay off your home with the benefit. For example, if you bought a $500,000 house with a 30-year mortgage, you might want a 30-year term policy.

Permanent insurance allows you to build and use cash value for other endeavors, like as part of a college funding strategy or as a vehicle to save for retirement.

3. Apply for the policy you select. Depending on how much coverage and what type of policy you choose, you may be subject to a medical underwriting exam.

When to Update Your Policy

Whether you choose term or permanent, you should always ensure you're not over- or underinsured. If you check at least one of the options below, consider connecting with your professional to reevaluate your insurance coverage.

- ☐ You got a new, higher-paying job or promotion.
- ☐ You got married.
- ☐ You got divorced.
- ☐ You bought a house.
- ☐ You upgraded your house.
- ☐ You had or adopted a child.
- ☐ You started a business.
- ☐ You started caring for your aging parents
- ☐ You have kids heading to college.
- ☐ You are entering retirement.

Connect With Your Professional

Your insurance solution will depend on your needs, and an insurance professional can help you identify the optimal coverage for your goals and address complexities, including taxes. As your life and goals change, it's critical to periodically evaluate your insurance coverage and connect with your insurance or financial professional.

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