



Foresters life insurance

A guide to
life insurance

What is life insurance?



Life insurance is a contract between an insured person and a life insurance provider that pays out a lump sum of money to a beneficiary on the death of the insured person.

But the impact of life insurance is much more far-reaching. Adequate life insurance is a valuable financial tool and can make all the difference to your loved ones in the event of your death by enabling them to enjoy the lifestyle you planned for them. Simply put, life insurance is the backbone of your financial plan and everything else is built around it.

Why do I need life insurance?

People often ask if they need life insurance and the answer is simple. If someone in your life will suffer financially when you pass away, you probably need life insurance. Adequate life insurance enables your family to grieve without the added burden of financial hardship. Life insurance can help:

- Provide money to pay for burial or other final expenses
- Ensure your loved ones are able to sustain their current lifestyle and stay in their home
- Cover your debts, including your mortgage
- Provide an income for your family
- Cover the cost of childcare
- Provide a nest egg for your family or a favorite charity
- Cover the cost of postsecondary education for your children

There are other benefits to having life insurance: if the beneficiary is a named person and not your estate, the death benefit is free from probate costs. Also, in many regions, the cash values of a life insurance policy are protected from creditor claims.

When do I need life insurance?

There are many life stages which are natural times to consider life insurance. For example, many people first consider life insurance when they get married or have a child. As responsibility shifts from yourself to another human, it's natural to consider every scenario and plan for the future. But life insurance is not just for newlyweds or parents. In many homes, single adult children help pay the monthly bills or even support aging parents and grandparents. Their contributions would be sorely missed if they died unexpectedly. And in later years, as people approach the end of their lives, they might consider life insurance to ensure that their families are not burdened with the cost of final expenses.

What are the different kinds of life insurance?

There are many different life insurance products available and the right product for you depends on your age, your debts, the age of your dependents and your long-term financial goals. Most life insurance products fall into two categories – term and permanent.

Term life insurance

Term life insurance provides coverage at a comparatively modest initial cost and is useful if you only need coverage for a specific term. You generally pay a fixed premium for a policy that covers you for a specific period of time, usually ten to 15 years and pays out a set amount if you die within this time period. This product can cover a major debt like a mortgage or provide an income to help take care of your children till they are old enough to leave home or complete their postsecondary education.

Term insurance only pays a benefit if you pass away during the specified period of time. After the term expires there's no guarantee that you will qualify for a new policy. If you do qualify, the premium will probably be higher because of your older age. Some term insurance products are renewable however premiums typically increase after the initial term period.

Permanent life insurance

Permanent life insurance has no fixed term and is designed to cover you for the rest of your life. Some permanent products have flexible premiums, investment components, cash surrender values or the possibility to borrow against the cash value of the policy. There are two kinds of permanent life insurance – whole life and universal life:

Whole life insurance

Whole life insurance may help you build cash value that you may be able to borrow against if you need to. The premium for whole life is typically guaranteed for the life of the contract. And whole life insurance is just that: insurance for your whole life as long as the premiums are paid on time. Another plus to whole life insurance is that it might be a “participating policy”. Participating policies may be eligible for dividends, if the insurer’s expenses are lower or its earnings are higher than it assumed when it set the premiums. Depending on the dividends option in your insurance contract, these dividends can be taken in cash, applied to reduce your premium, taken in additional insurance or left to increase the cash values. Dividends are not guaranteed.

Universal life insurance

Universal life insurance provides you with greater flexibility, and the potential for accumulating cash value. Universal life has two parts: a life insurance part and a cash accumulation part. The premium you pay is first applied to the costs for the insurance. If the premium paid is higher than the costs for the insurance, the excess is applied as cash value and earns interest over time, typically on a tax-deferred basis, until withdrawn as cash or applied to help pay the costs of the insurance.

Universal life typically has a guaranteed minimum interest rate that the insurer will apply to the cash value. Unlike whole life policies, universal life insurance uses current interest rates determined by the insurer, which may be above the guaranteed minimum interest rate. This means that if current interest rates go above the minimum guaranteed rate, you may accumulate more cash value that you can withdraw or use to help pay the costs for the insurance.

How much life insurance do I need?

The amount of life insurance you need depends on your personal situation but you may need as much as seven times your current salary to cover all of your financial obligations including paying current debts, maintaining your family’s lifestyle and preparing for future expenses. An online life insurance needs calculator can provide a basic estimate of how much life insurance you may need using information about your current and projected expenses and assets. You can find a Life Insurance Needs Calculator at foresters.com. Of course, there is more to choosing life insurance than simple calculations; a qualified life insurance representative can review your situation in more detail and make appropriate recommendations.

[Click here and complete a simple online form to receive a personalized quote from a friendly and experienced independent insurance representative in your area.](#)

Can I afford life insurance?

When asked why they don’t have life insurance, many people claim that they can’t afford it but a recent study found that consumers overestimate the cost of life insurance by as much as three-fold¹.

By making even a relatively small monthly life insurance investment, you are helping to ensure that your family can keep the house, send the kids to college or sustain their livelihood if there’s a loss of one or both income providers.

While it’s never too late to buy life insurance, to take advantage of lower rates, the earlier you start the better. As you get older, the same coverage costs more, regardless of what type of insurance you prefer.

A licensed insurance representative will consider your specific circumstances and can help you determine what you can afford.

How do I buy life insurance?

Even when people know they need life insurance, they are often confused about the application process and the different products available. In fact, when Life Insurance Marketing and Research Association (LIMRA) released a ten-question life insurance IQ quiz in 2012, 70% of respondents answered less than five questions correctly, suggesting most people have only a basic understanding of life insurance².

To simplify the process, you can get more information and purchase life insurance from a qualified sales professional in your area. They can take the time to carefully assess your financial situation and long-range objectives, and then work with you to find the right products for your specific needs.

When choosing a life insurance provider, look for an established, reputable insurance carrier with a long history of stability. Independent ratings agencies such as A.M. Best and Standard & Poor's score providers on their financial soundness and claims-paying ability. For an alternative to traditional life insurance companies, consider fraternal benefit societies – not-for-profit, life insurance organizations whose members share a common bond or purpose such as supporting families, volunteering or faith. Foresters™ is a fraternal benefit society with a unique purpose: to champion the well-being of families.

[Click here and complete a simple online form to receive a personalized quote from a friendly and experienced independent insurance representative in your area.](#)

What are the steps involved in purchasing life insurance?

You will need to complete an application which asks for basic information, such as your name and address and often asks for personal information such as height, weight, health, lifestyle and financial details. Depending on the product you choose, you may also be required to have an in-person medical exam in which a licensed healthcare professional will take samples and ask further questions about lifestyle and medical history. The insurer may also order your medical records for review.

Finally, the insurance provider will review your application to determine your risk and your premiums and if your application is approved, they will issue you a policy.

For more information

For more information on Foresters life insurance products, or to speak with a life insurance representative in your area, visit foresters.com.