

Choosing your Life Policy

Life insurance serves as a vital financial tool to support your loved ones after your passing. Whether your goal is to pay off a mortgage, replace lost income, to cover end-of-life expenses, or fulfill another purpose, it offers a means to provide security and peace of mind.

While the concept of life insurance itself is not complicated, there are many variables that you need to factor in so that you get the right policy for your specific situation. We have found that answering a series of questions is the best way for you to do this.

Do you need life insurance?

Ask yourself this question: “Will someone in my life suffer financially if I pass away?” If the answer is yes, 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 an income for your family
- Provide a nest egg for their future
- Cover your debts, including your mortgage
- Cover the cost of childcare or education
- Provide money to pay for burial or other final expenses

What type of policy should you consider?

The policy you ultimately choose depends on many factors, including what kind of insurance you want, what type of policy is best for you, and the financial goals you have for your insurance policy. Policy options to consider include:

- Term vs. Permanent insurance
- Cash Value vs. Non-cash value
- Renewable vs. Nonrenewable
- Variable vs. Non-variable
- Whole Life vs. Universal life
- Simplified issue vs. Full underwriting

For more information on policy options, refer to our guide: [Life Insurance Basics](#)

How much life insurance do you need?

The amount of insurance to buy depends largely on the financial needs that will continue after your death. Many professionals break these needs down as follows:

Income Replacement

Consider how much your family would need to replace your income if you were no longer around. A common rule of thumb is to have coverage that is 7 to 10 times your annual income.

Debt Coverage

Factor in any outstanding debts you have, like a mortgage, car loans, medical debt, student loan debt or credit card debt.

Future Expenses

Think about future expenses you might incur, such as college tuition for your children, retirement savings for your spouse, or ongoing care for dependents.

End-of-Life Costs

Include the cost of funeral expenses and any other final arrangements. The average cost of a funeral and burial today is about \$8,300.

Do the premiums fit your budget?

If you do your work correctly, you should know how much insurance you need. It is critical however, to purchase a policy you can truly afford.

Can you afford the initial premium?

If you have a policy where premiums increase over time, will you still be able to afford it?

Canceling or allowing a policy to lapse for non-payment is something you want to avoid as the cost of insurance increases each year you get older.

For these reasons it is safer to err on the side of too small a policy, than too large.



Review Policy Features and Riders

Every policy is different, and it is critical that you review the features and riders that are specific to the policy you are looking to get.

- **Riders:** These are additional features you can add to your policy for an extra cost, such as a waiver of premium, accidental death benefit, or child rider.
- **Conversion Option:** Some term policies allow you to convert to a permanent policy without a medical exam.
- **Living Benefits:** Some policies offer benefits you can use while still alive, such as access to the death benefit in case of terminal illness.
- **Read the Fine Print:** Make sure you understand the terms and conditions of the policy, including exclusions, waiting periods, and any circumstances under which the insurer may deny a claim.

Your insurance agent, financial advisor, or an insurance company representative can help you understand anything that isn't clear. If you're not satisfied with your new policy, you can return it for a full refund within a certain period (called the "Free Look" period), usually 10 to 30 days after you receive it. The review period usually is stated on the first page of the policy.

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