

Why Purchase Life Insurance?

We’ve all heard about the importance of having life insurance, but is it really necessary? Usually, the answer is “yes,” but it depends on your specific situation. If you have a family who relies on your income, then it is imperative to have life insurance protection. If you’re single and have no major assets to protect, then you may not need coverage.

In the event of your untimely death, your beneficiaries can use funds from a life insurance policy for funeral and burial expenses, probate, estate taxes, day care, and any number of everyday expenses. Funds can be used to pay for your children’s education and take care of debts or a mortgage that hasn’t been paid off. Life insurance funds can also be added to your spouse’s retirement savings.

If your dependents will not require the proceeds from a life insurance policy for these types of expenses, you may wish to name a favorite charity as the beneficiary of your policy.

Permanent life insurance can also be used as a source of cash in the event that you need to access the funds during your lifetime. Many types of permanent life insurance build cash value that can be borrowed from or withdrawn at the policyowner’s request. Of course, withdrawals or loans that are not repaid will reduce the policy’s cash value and death benefit.

There are expenses associated with life insurance. Generally, life insurance policies have contract limitations, fees, and charges, which can include mortality and expense charges, account fees, underlying investment management fees, administrative fees, and charges for optional benefits. Most policies have surrender charges that are assessed during the early years of the contract if the contract owner surrenders the policy. Any guarantees are contingent on the financial strength and claims-paying ability of the issuing company. Life insurance is not guaranteed by the FDIC or any other government agency; it is not a deposit of, nor is it guaranteed or endorsed by, any bank or savings association.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased.

If you are considering the purchase of life insurance, consult a professional to explore your options.

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