

Life Insurance 101

Life Insurance Guide

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What is life insurance?

Life insurance is a contract with an insurance company. You are protected through the lifetime of the contract in exchange for monthly or annual payments. If you were to die while your policy was active, your chosen beneficiary (*more on beneficiaries later*) would receive a sum of cash. Your beneficiary might use this money, called a death benefit, to pay final expenses, pay the rest of your mortgage or cover any expenses for your loved ones. In most cases, the death benefit is tax-free.



Why do I need life insurance?

Life insurance is for your loved ones. Would they be financially prepared to cover the household expenses if you were no longer around to help with the family bills? If you are carrying debt or have a mortgage, would your family be able to cover these expenses in the event of your death? Life insurance provides cash benefits to cover these costs, so your family will not face a financial hardship during an already challenging time. We think that life insurance translates into an act of love for those you care about.

Who needs life insurance?

- If you were to die, would you leave behind debt?
- Would your loved ones face financial hardship?
- Do you have dependents, own a small business or have a sizable personal estate?

If the answer to any of these questions is yes, you need life insurance.

When should I buy life insurance?

Buying life insurance while you are young and healthy can help you secure lower premiums. Your best bet is to get life insurance as soon as it becomes a must-have in your life. Life events such as marriage, a new baby, and even starting a new business can trigger a need to put a policy in place.

Expanding your family? [Quility has options](#) to support your finances during this exciting time (*but timing is everything*).



We are here to help you find the best-fit plan for your life. Get a free quote and apply online in 10 minutes for a personalized term life insurance policy.

How much life insurance do I need?

When you are shopping for life insurance, you will see a lot of information out there about term lengths and coverage amounts. There is not a one-size-fits-all answer for life insurance: the perfect fit depends on your unique circumstances. You will want to look at your income, your health, your family, and your goals to determine how much insurance you need. And keep in mind that your policy can grow with you, so there is no wrong answer.

To determine how much life insurance you need, ask yourself:



How much do you contribute to your household income?



If you have children, do you want to save money for their college education?



Would your loved ones be financially prepared to cover your funeral expenses?



How much debt would you leave behind?



How will inflation affect these numbers?

Types of Life Insurance



When it comes to buying life insurance, you have a lot of options.

Every type of life insurance has its own unique advantages, and many options even pair nicely together. With most options, you can add riders to your policy, meaning that you could protect against a critical illness or disability on top of your 15-year term life policy. We will cover more on riders later - below are the types of life insurance on the market today.

 TERM LIFE INSURANCE

 RETIREMENT SOLUTIONS

 PERMANENT LIFE INSURANCE

 CRITICAL ILLNESS INSURANCE

 MORTGAGE PROTECTION INSURANCE

 DISABILITY INSURANCE

 DEBT FREE LIFE

 FINAL EXPENSE INSURANCE

Term Life Insurance

Term life insurance provides coverage for a specific period, usually ranging from 10-30 years. If you die while the policy is in force (*during the time you're paying premiums*), your beneficiary receives a death benefit.

If you reach the end of your coverage period, you and the insurance company simply part ways. If you still need life insurance, you can extend coverage for a new term or convert your policy to permanent life insurance (*just keep in mind your premiums might increase*).



Use this equation to figure out how much term life insurance you need.

Your Salary x 10 = Your Coverage Amount

EXAMPLE

\$50,000/year x 10 = \$500,000 policy



10 year

20 year

30 year

Your policy term length depends on your age, how long you'll have financial dependents, or possibly the term of your mortgage.

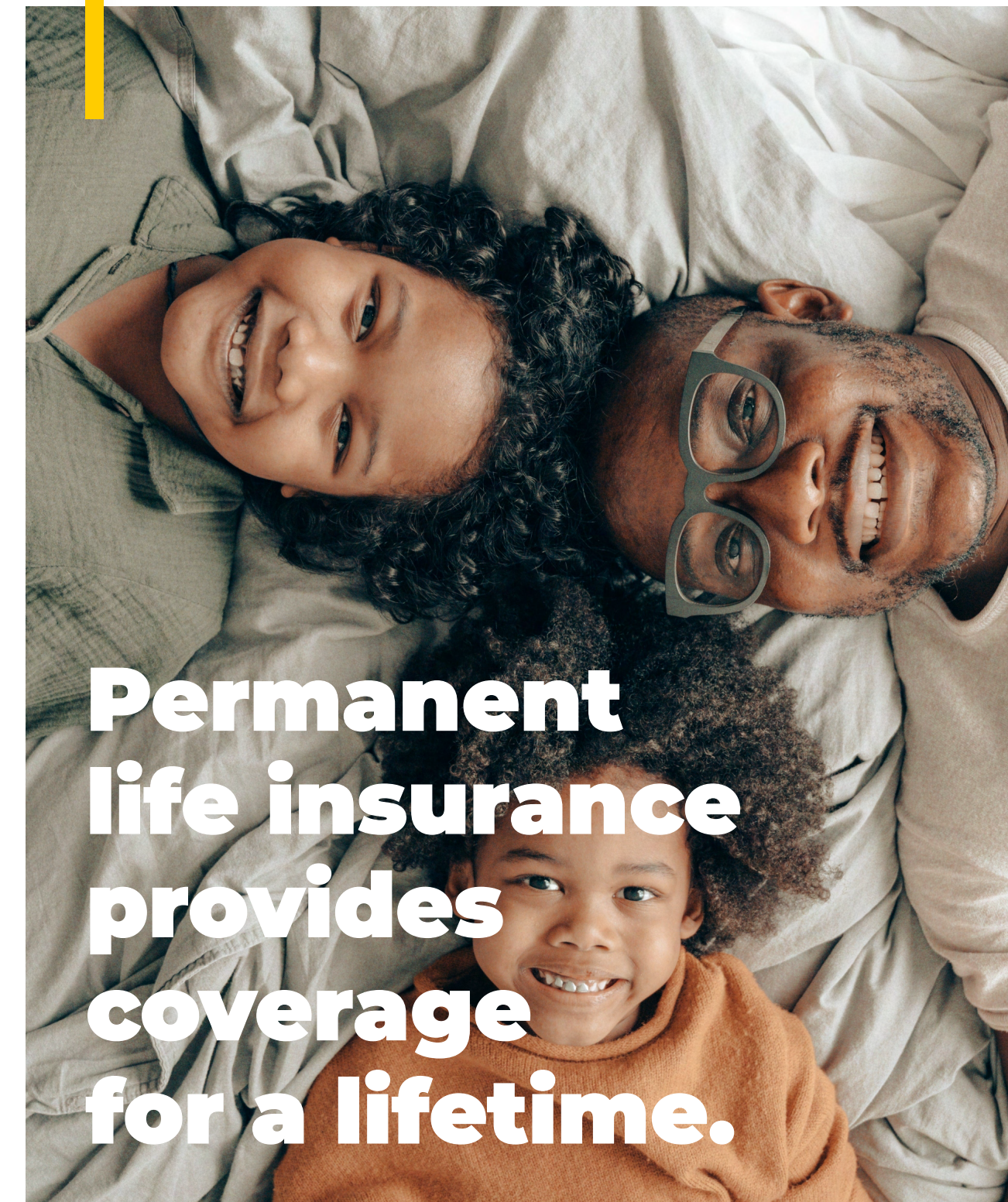
Permanent Insurance

Permanent life insurance offers guaranteed coverage and is sometimes broken down into a policy called universal or whole life.

Universal life insurance is an affordable permanent life insurance option with coverage that lasts a lifetime. Universal life insurance is popular for its affordability, compared to other permanent life insurance options, as well as for its adjustable benefits and cash value component.

Whole life insurance is a slightly more expensive type of a permanent life insurance policy that provides fixed premiums throughout the life of the policy, and coverage lasts until you die.

All permanent life insurance policies provide coverage for a lifetime. These policies also offer flexibility on premium payments and adjustments to policy terms. Many people opt for universal life because it has a cash value component that accumulates throughout the entire life of the policy. If you miss a payment, the cash value can step in and keep your policy active.



Term vs. Permanent Insurance

If you're in the market for life insurance, you may be torn between purchasing a temporary (*term*) or a permanent (*whole or universal*) life insurance policy.

	<u>TERM LIFE INSURANCE</u>	<u>WHOLE LIFE</u>
What is it?	"Renting" your coverage	"Owning" your coverage
Length	10, 15, 20, or 30-year term	Your whole life
Affordability	Plans start at less than \$20/month	More expensive
Cash Value	No	Yes
Payment Flexibility	None. If you miss a payment, your policy will terminate.	More flexibility given the cash value component of your policy.
Return of Premium Rider	Yes, an option.	No, not an option.

Term life insurance is right for me.

[Apply Now](#)

I'm considering a permanent life insurance

[Learn More](#)



Mortgage Protection Insurance

Mortgage protection is a type of term life insurance designed to cover your mortgage payments if you pass away while the policy is in force. For many people, their home is their most valuable asset, so this insurance ensures that their loved ones could stay in the home rather than face a financial hardship if the primary breadwinner was no longer around to help pay the bills. Many mortgage protection policies also offer coverage if the homeowner becomes disabled or receives a critical illness diagnosis.

We are here to help you find the best-fit plan for your life. Get a free quote for mortgage protection insurance today and apply online in 10 minutes.

Interest Saved
Over \$70,500

Projected Retirement
Over \$3 Million

Debts Eliminated	
Mortgage	\$347,000
Student Loans	\$108,575
Auto Loans	\$89,945
Personal Loan	\$25,212
Miscellaneous	\$9,149
Total Debt	\$579,881

Debt Free Life[®]

Debt Free Life[®] is a permanent life insurance policy that utilizes the policy's cash value to pay off debts. Within an average of nine years or less, your debts will be eliminated. Your Quility insurance licensed agent will provide you with a customized debt payoff plan, including a timeline for when each of your debts will be paid off in full, and how much money you'll have in retirement savings by the time your debt is paid off. Even more, you will be able to see how much money you'll save over the years by not paying interest to lenders. Debt Free Life is a type of permanent life insurance, so you will go through the process of qualifying for life insurance coverage and maintaining premium payments to keep your policy in force. Since you are using the cash value of your life insurance policy, you won't be spending any additional money each month to pay off your debts.

Retirement Solutions - Annuities

Annuities are popular retirement savings vehicles that offer accumulation potential and provide financial security that you can turn into an income stream during your retirement years. If you have maxed out a 401(k) or other retirement savings vehicle, an annuity can provide tax-deferred growth potential and guarantees, making it a secure option for enhanced returns later in life.

Benefits of Annuities



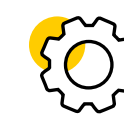
Create Guaranteed Income in Retirement

When you're ready, you can turn your annuity into a series of payments



Protect Future Income From Market Loss

Your annuity is risk-free; its value doesn't sway with the markets



Access to Flexible, Tax-Efficient Retirement Funds

Reach your retirement goals on a schedule that works for you

Critical Illness Insurance

Protecting your future is important, and with life's uncertainties, protecting against a work-related disability or a critical illness diagnosis can provide peace of mind and financial security for your loved ones. Critical illness insurance pays a lump sum benefit if you are diagnosed with a condition listed in the policy terms. You get to choose how you spend the money: it can cover medical expenses, exploratory treatments, make up for lost income and more.



Disability Insurance

There are many reasons why you might need disability insurance. It can cover workplace injuries, disability claims and even pregnancy. Many people think of it as “paycheck protection” because it can cover your income if you are unable to work due to a short-term or long-term disability. You can use disability claim benefits to pay your mortgage or rent, cover medical expenses, pay monthly bills and more.

Final Expense Insurance

Final expense insurance is a type of permanent life insurance policy that provides a lump sum to your chosen beneficiary to cover end-of-life expenses. If you buy final expense insurance and continue to pay premiums during the life of the policy, your beneficiary will receive the death benefit when you die. They can use the death benefit to cover costs related to your passing, including medical expenses, a memorial or funeral service. Many families don't have the funds readily available to cover funeral expenses, which generally cost around \$10,000. Final expense insurance steps in to pay for the burial and any other expenses your family needs, so they don't have to face a financial burden during a difficult time.



Life Insurance Riders

When you choose a life insurance policy, you will have the choice to customize your coverage with add-ons called riders. Life insurance riders can help you safeguard your income in the event of illness or disability, cover long-term care costs or provide a cash-back refund if your policy goes unused.



Life insurance riders can help you prepare for unexpected events that may arise while you are alive, such as a disability or critical illness diagnosis.

Accelerated Benefit Riders

Accelerated benefit riders, also called living benefits riders, allow you to access funds from your life insurance policy in certain cases covered in the contract. These funds could be used to cover your mortgage, medical treatments, etc. while you are healing from an injury, diagnosed with an illness or facing a short-term disability. Another popular option is the waiver of premium rider, which allows you to skip premium payments if you're injured or disabled and cannot work.

Return of Premium Rider

If you have a term life policy, you might be interested in adding a return of premium rider. Also known as a cash-back option, this rider could reimburse you for some of the premiums you paid into your term life policy while it was active. Although this rider could raise your premium rate each month, many people like the idea that they can get a refund (*usually 75% to 100% of premiums paid*) if they never have to use their life insurance when the term ends.



Cash Value Policies

Cash Value Life Insurance

Not to be confused with a cash-back rider or return of premium, cash value insurance is a type of permanent life insurance. Each month, an amount of your premium goes towards a savings account within your policy, and that cash value grows tax-deferred for as long as your policy is active. If one of your goals is to save for retirement, cash value insurance could be a great fit. The only catch with cash value is that withdrawing funds from the cash value component of the policy affects the amount of the death benefit.

If you're interested in using cash value to pay off debts from credit cards, auto loans, student loans or a mortgage, learn how our Debt Free Life program can help you become completely debt free in less than nine years by harnessing the power of cash value insurance.



With Quility, you can apply for a policy online or connect with a licensed insurance agent to get expert guidance along the way.

[Get Started](#)

Life Insurance Beneficiaries

How do you choose a beneficiary for your life insurance policy?

A beneficiary is the person who will receive the payout of your life insurance policy when you pass away. With this designation comes a lot of responsibility, so it is important to choose someone who you trust to make the best decisions and ensure your wishes are met.

Most people in committed relationships will choose their spouse or significant other as their beneficiary. You may also name a secondary (*contingent*) beneficiary on your policy who will inherit the death benefit if your primary beneficiary dies. For example, you might choose that your spouse receives 100% of the death benefit, and then 50% would go to your son and 50% to your daughter. Your Quility insurance licensed agent is always available to help you designate beneficiaries if you have any questions along the way.





[Read more about discussing end-of-life plans and determining if a loved one is insured in our magazine.](#)

How does a beneficiary receive the death benefit payout?

After the insured person dies, the beneficiary will need to send a few documents to the insurance company. These usually include a death claim form, a certified copy of the death certificate, and other information based on the company. If you are the chosen beneficiary and you aren't sure where to begin, it is best to reach out to the insurance agent who helped with writing the policy, or the insurance company where the policy is from.

How do you find out if you are a beneficiary on a life insurance policy?

In most cases, your loved one would inform you that you are their chosen beneficiary. If not, you might need to look for your loved one's insurance documents. An old policy statement or bill might list out the beneficiary. You can also reach out to the insurer to find out if the policy was in force. Insurance companies are usually not obligated to reach out to beneficiaries, so it will be up to you to determine if your loved one had a life insurance policy in which you were a named beneficiary.

To avoid the emotional stress of tracking down beneficiary information, it's best to have these conversations with your loved ones before it's too late.

Cost of Life Insurance

How much does life insurance cost?

Life insurance is more affordable than most people expect! Like any other type of insurance, your premium is based on factors related to your age, health and lifestyle at the time you apply for coverage. You can choose a more affordable policy like term life, or a pricier permanent coverage that lasts a lifetime. Adding riders to your policy could also increase your premium rate.

Term life insurance is usually the most affordable type of insurance, with rates less than a dollar per day. Universal life insurance would be more expensive than a term life policy because you are purchasing the product to cover your lifetime rather than “renting” a policy term of 10-30 years. If you aren’t sure which type of insurance best fits your needs, chat with a Quility licensed agent today – we are here to help you find the best insurance for your budget and lifestyle.



Like any other type of insurance, your premium is based on factors related to your age, health and lifestyle at the time you apply for coverage.



What is a life insurance premium?

A premium is the monthly, quarterly, or annual payment you make to a life insurance company to keep your policy active, also known as “in force.”

Are life insurance premiums tax deductible?

Premium payments for individual life insurance policies are not tax deductible. The tax benefit of a life insurance policy applies to the death benefit – in most cases, the payments made to a beneficiary when the insured dies are tax-free income. Any interest that was accumulated on a life insurance policy would usually have to be reported as income by the recipient.

Life Insurance Approval Rates

How long does it take to get approved for life

In most cases, you can get approved almost immediately. Most policies are simplified issue, meaning that underwriting is automatic, and you won't have to undergo a medical exam to qualify. If you are applying for a policy that requires a medical exam, it usually takes from three to eight weeks for the insurance company to review your application.



Can you get life insurance if you have a pre-existing medical condition?

Like health insurance, having a pre-existing condition doesn't necessarily mean you cannot get life insurance, but you might pay higher premiums for coverage. When you apply for life insurance, you will be asked a series of questions about your health, age and lifestyle. We recommend connecting with a Quility licensed agent who can shop for policies on your behalf. Our licensed agents are extremely knowledgeable; they can evaluate which insurance companies would be likely to approve your application and they can provide recommendations for you based on your budget.

I have diabetes - will I get approved for life insurance?

If you have diabetes, you can still qualify for certain types of coverage. In some cases, your premiums might be a bit higher. If you have diabetes and you're wondering which coverage is right for you, reach out to us and we can help you find the best fitting product.

Can I use life insurance to pay for long-term care?

In some cases, you can use life insurance to pay for long-term care. Some life insurance policies allow you to access accelerated death benefits that cover long-term care expenses under certain circumstances. Additionally, there are standalone long-term care insurance policies available that can help you gain financial protection. Life settlement options might also be available. These circumstances vary by insurance company, but your Quility licensed agent is always here to provide answers — reach out to us today if you want to learn more about long-term care options.



Life Insurance Companies

Quility partners with more than 80 insurance providers to give you the power of choice when it comes to shopping for insurance. We're the one-stop-shop for finding the best insurance at the best price.

Some of the insurance companies that we work with include American Amicable, Foresters Financial and Mutual of Omaha. These companies offer a variety of products, ranging from term life to universal and whole life policies. By partnering with more than 80 companies, we can shop around to find the product you need at the best price for your budget.

