



# Bankrate's LIFE INSURANCE CHEAT SHEET

Print out this cheat sheet with basic questions on life insurance to use as a handy guide in helping determine if you need insurance, and what type best fits your life.

You can also visit [Bankrate.com](http://Bankrate.com) and plug your numbers into these two calculators:

-  [How much life insurance do I need?](#)
-  [Determine the right type of life insurance.](#)








## How do I know if I need life insurance?

Life insurance is designed to replace lost income or pay for special needs your family would have if you weren't around. The big questions to answer: **Do you need it?** How much should you buy? What kind should you get?



### Do I need it?

If you have a spouse, kids or aging parents who depend on you, life insurance is a good option to consider.

-  **If you're a wage earner**, you'll want to replace your salary plus provide for any additional needs, such as paying off the mortgage, college tuition or career training for a spouse who may be re-entering the work force.
-  Would your working spouse want to **take some time away from the job** to be with the kids after a loss? If so, what would that cost?
-  **If you're a stay-at-home parent**, look at what it would cost to hire help to perform tasks you routinely do (day care, housekeeping, financial management, cooking, grocery shopping).
-  If you're **caring for a family member** with special needs, what would it cost to make sure that person is provided for if you die?
-  If you're **at or near retirement**, how would your spouse's income change if you weren't around, or vice versa? If all or most of your pension or retirement savings would be accessible, you might not need life insurance.



30 percent of Americans have no life insurance at all. The number of those with individual life insurance policies is at its lowest level in 50 years.

## How much should I buy?



Once you have an idea of what you're replacing, tally it up. How much would your family need per year if you were not around?



Then calculate how much it would take, invested conservatively, to generate that amount annually without ever touching the principal.

## What kind should I get? Here's a quick glance at the major types of life insurance.



### Term

Term is the simplest form of insurance to understand and the type most financial experts recommend because it allows you to purchase the most coverage for the least amount of money. Purchase a policy for a specific amount that will cover you for a particular time period (or term).



### Term universal life

A new hybrid that offers more flexibility than a term policy. **Term UL** lets you extend the term of the policy after you are in the plan. Unlike term, you can choose from 10 options, tailoring the policy to your current financial state.



### Whole life

Rather than covering you for a part of your life (as with term), whole life will cover you for your entire life, as long as you keep up the premiums. Whole life coverage is more expensive than term, and part of the premium will be set aside in an account designed to help cover the cost of the premium as you get older.



### Blended life

A **blended life insurance policy** starts out as a combination of term coverage and permanent coverage. Future dividends paid on the policy are used to convert the term coverage into permanent coverage.



### Universal life

UL covers you for as long as you make the premiums, and contains an investment component. (In one variation, known as "universal variable," you choose the investment vehicle.) Beneficiaries either receive the face value or the face value plus the cash value of the investment account. The face value can rise and fall with the value of the investments.



### Variable life

Similar to universal variable life, but usually offering more investment options, including stocks, bonds and mutual funds. The face value will rise and fall with the value of the investments.