Quotacy

An Introduction to Life Insurance

An overview of life insurance: Who needs it, the common types of life insurance, and how much to buy.

Quotacy.com

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What is Life Insurance?

Quotacy sells life insurance. Other companies are limited. They offer just furniture, iPhones, appliances, cars or shoes. We offer these things too. And we offer many things more. **We offer meat, bread and milk for the table of a family deprived of a father or mother.** We offer cancelled mortgages so that mother or father and children can live comfortably. We offer college educations to give children better opportunities in life. **We offer the little extras too; ice cream cones, Xboxes, movie tickets and a dress for the prom.**

We make life worth living. We offer time with grandchildren, golf clubs, fishing tackle, exciting trips, retirement income and **self respect for later years.** We offer all the necessities and good things for life, because

life insurance is for the living.

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Credits

This book is written for the modern consumer by Quotacy.

Quotacy is a resource for busy people to easily compare, research, and purchase the gift of life insurance on their terms. Whether by phone, computer, or mobile device, Quotacy provides you with all of the information and pricing on life insurance that you're looking for, in a friendly and understandable way. Find your price now at www.quotacy.com

Who Needs Life Insurance

If someone relies on you financially, you need life insurance. Now, it's not just individuals who have children, but there are many situations in which people other than your kids may depend on your income. Here we will cover many types of people who need life insurance.

Spouses

If you died prematurely, term life insurance would replace your income so your spouse would not struggle financially. Mortgage payment, credit card debt, funeral expenses, these are all things that a term life insurance policy will help pay for. If you have children, everyday expenses (such as daycare) and even college can be taken care of as well.

Couples can either name each other beneficiaries of their own life insurance policies, or own policies on one another. If your net worth, including life insurance, is relatively high (in the millions) owning life insurance on each other, versus owning one's own policy, is best so it's not included in your estate.

If you make your spouse your primary beneficiary, be sure to include secondary beneficiaries as well. In the event that the both of you pass away at the same time (e.g. a car accident) or your spouse passes before you, there should be contingent beneficiaries next in line.

Parents

Whether you're in your 20s or 40s, being a new parent is one of the most exciting and frightening events that can happen in one's lifetime. In one fell swoop, you are suddenly completely responsible for another human being. Term life insurance can replace the income needed to cover bills, but it can also pay for hopes and dreams. You want to make sure your new bundle of joy will always be cared for, even if you aren't around to do so.

$245,340 is the estimated amount needed to raise a child to the age of 18.[1] Whether you are single or a couple, are a one-income or dual income household, this is a lot of money and it doesn't include the cost of college. If you were to die pre-maturely, you need to have a back-up plan for your children. Term life insurance is that back-up plan and it fits into most budgets.

[1] U.S. Department of Agriculture, Expenditures on Children by Families, August 2014

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Single Parents

While it is important for anyone with dependents to have life insurance, you could argue that single parents need it the most. When married couples purchase life insurance, they often plan with the possibility that one spouse will remain to care for the children. Single parents do not have this luxury.

In regards to life insurance planning, single parents should consider the following:

- Get enough life insurance to cover your lost income, child care (if children are young), your children's education, and your final expenses (debt, funeral, burial.)
- Choose a responsible guardian who will be in charge of the care for your children.
- All 50 States have passed a version of either the Uniform Transfers to Minors Act (UTMA) or the Uniform to Minors Act (UGMA) to define what happens when minors are donated gifts like life insurance. Minors may not sign legal documents or consent to activities concerning their property, so if you name your minor child as your policy's beneficiary, the proceeds will go to a court-appointed guardian who will manage the funds until your child reaches the legal age of adulthood according to that state.

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Stay-at-Home Parents

Stay-at-home parents are the unsung heroes of the household and need life insurance coverage just as much as the breadwinner!

Imagine all the daily duties a stay-at-home parent takes care of. If they were not working inside the home, you would need to pay someone for the following services or figure out a way to find time to do them yourself:

- Transport children to school and other places
- Cook meals
- Clean the house
- Grocery shop
- Do laundry

Salary.com estimates the average stay-at-home mom is worth an annual salary of $118,905.[2] That's a lot of money to make up for if a stay-at-home parent were no longer around.

[2] What is a Stay-at-Home Mom Worth?, Salary.com, 2014

On average, stay-at-home parents juggle 96.5 hours of work each week.

Hiring someone for each job a stay-at-home parent does would look like the following:[2]

- Computer Operator: 8.6 hours per week
- Cook: 14.5 hours per week
- Laundry Operator: 6.5 hours per week
- Janitor: 7.8 hours per week
- CEO: 3.2 hours per week
- Housekeeper: 14.6 hours per week
- Day Care Teacher: 14.3 hours per week
- Van Driver: 7.8 hours per week
- Psychologist: 8.3 hours per week
- Facilities Manager: 10.9 hours per week

Base Salary 40 hours: $38,126 + Overtime 56.5 hours: $80,779 = TOTAL SALARY $118,905

Homeowners

Income replacement is the primary purpose of term life insurance and a large amount of one's income goes toward their mortgage payment. Whether it's just you and your spouse, you and your family, or just you, if you own a home you should think about purchasing enough life insurance to replace your income and cover your mortgage. Having a mortgage isn't just like having a couple hundred dollars charged on the credit card; a mortgage typically is hundreds of thousands of dollars. Imagine if you passed away unexpectedly, you would be leaving your loved ones alone to somehow manage those payments on one income.

If it's just you and your spouse or significant other, the idea of purchasing a term life insurance policy that would cover the mortgage payment should be considered. Unless your spouse relies on your income or you have other pressing financial concerns, purchasing term life insurance with coverage totaling your mortgage loan amount plus enough to cover final expenses (personal debt, burial and funeral) is a good start. Your term length, the amount of time you have coverage for, should be however long you think it would take to pay off your mortgage.

If you own a home and have a family, purchasing a term life insurance policy that would include covering the cost of the mortgage along with making sure your loved ones' standards of living go unchanged would be best. Your spouse/significant other would be left to cover the mortgage and pay for your children's care on one income. With life insurance, your family would not have to face financial struggle along with the devastation of losing you.

Maybe you own a home and live by yourself. If anyone helped you by co-signing for your mortgage loan, they could end up footing the bill if you died prematurely. They helped you when you needed it, help them by covering yourself with life insurance. Because you do not have any dependents relying on your income, getting a term policy that mainly covers just the mortgage may be adequate. If anyone co-signed on any other loans for you though, be sure to add the loan amounts for those (e.g. student loans) into the equation.

Small Business Owners

Owning a small business can be one of the most rewarding journeys in your life, but there are many responsibilities that come with it. To start a small business, you'll first need a loan. When a business owner takes out a loan from their local bank or the small business administration, that bank (or SBA) immediately has a financial interest in the owner's wellbeing and financial health. In many cases, especially large loans must be guaranteed by a life insurance company so that the bank doesn't stand to lose the full balance of the loan upon the borrower's death.

Buy-Sell

A life insurance policy can also be structured to fund a "buy-sell" agreement. This is the most common type of life insurance for businesses. This would ensure that the remaining business owners have the funds to buy the company interests of a deceased owner at a previously agreed upon price; this arrangement allows the owners to keep the business while the family gets the deceased owner's cash value of the business.

SBA Loans

Term life insurance for bank loans protect the bank's interest in the borrower's wellbeing, but it's equally valuable for the business owner's loved ones. With an individually-owned life insurance contract that is collaterally assigned to a bank, if you die prematurely, your loved ones will not be obligated to repay anymore of the loan as it will be paid off in the amount of insurance you purchased up to the loan. The rest of the proceeds of that policy go to your loved ones and they will not have the added financial stress of repaying your business loan.

Key Person

Then there are key person insurance policies. Insurance owned by the business on the owner or on another key person's life is an important part of a business plan. If a key person died, the insurance company would pay out a tax-free death benefit to the company. This benefit would provide cash to meet outstanding obligations and maintain business continuity. This is especially important if the key person was instrumental in securing credit or capital. Key person protection helps a business through the difficult times reassuring other valued employees, clients, vendors, and prospects that the company's future is secure.

Seniors (65+)

Working Seniors

Working seniors' primary use of life insurance is for income replacement. Today, many Americans are putting off retirement and working longer than ever before to build a nest egg. Your spouse still depends on you financially. A common life insurance policy for working seniors is a 10-year term because it is the most affordable. This gives you protection for ten years while you still work and save. This income protection can allow your spouse to maintain the lifestyle they are accustomed to if you were to die.

Retired Seniors

Retired seniors might need life insurance to protect their spouse financially as well. Your spouse may depend on your pension or social security income and life insurance can help to bridge that gap. Even if you have money saved, you want to make sure it's enough for your spouse to maintain the same standard of living after you're gone. Take into consideration all of the debts you have, medical expenses that can occur, and funeral expenses. In addition, a death benefit could help to pay for your grandchildren's college, a wedding, or even a home. Make sure you have the coverage that you need and can comfortably afford, then enjoy the life you worked so hard for.

Grandparents Raising Their Grandchildren

The U.S. Census Bureau released in 2014 that 7 million grandparents live with a grandchild. Even more surprising is that 2.7 million grandparents are the primary caregiver of their grandchildren and about 39 percent of these grandparents have been caring for them for 5 years or more.

For grandparents whose responsibilities are mainly to spoil their grandkids, life insurance is important for estate and legacy planning, but for those grandparents who are also raising their grandkids, life insurance is important to make sure those children lead happy, healthy lives, even if one or both of their grandparents pass away.

If you're a grandparent raising your grandchildren, you have a financial responsibility to your grandchildren. Your finances now affect more than just yourself. Life insurance can be used to provide funds that will enable your grandchildren to lead the lives you wish for them. The death benefit will help with everyday living expenses, their education and future goals.

Single People

In most cases, single people with no children don't have a need for life insurance. That being said, your age and health play a large role in determining policy premiums. Essentially, the younger you are the cheaper it is so you may consider getting life insurance sooner rather than later. If one day you hope to have a family, buying a policy ahead of time and locking in those inexpensive rates can be a wise move.

Bottom line is, we're all going to die at some point and when you do there will be final expenses to be paid for. Someone still has to pay for a funeral which costs an average of ten thousand dollars. Also, someone has to cover any outstanding mortgage debt, student loans, and credit card debt. If you had your parents, grandparents, or anyone else help you co-sign on a loan, then that person will be contacted by your creditors to pay any outstanding debts owed. Rather than burden those who were so willing to help you in a time of need, your life insurance policy proceeds can take care of these debts.

Single people who take care of aging relatives may also want to consider life insurance. Whether it's to pay off your home that is being shared with them, or to provide relocation assistance into an elderly care facility, having life insurance is a great way to ensure your aging loved ones continue to get the best care possible in a comfortable place.

Essentially, the younger you are the cheaper life insurance is so you may consider getting it sooner rather than later.

The Types of Life Insurance

There are two main categories that life insurance falls into: temporary and permanent.

Term Life Insurance

Term life insurance is the best solution in most circumstances. As its name states, term insurance is temporary and provides coverage for a specific period of time. You can buy term life insurance for 10, 15, 20, 25, or 30 years, however long you need depending on your situation. It's the cheapest form of life insurance because it is a defined coverage period, not lasting your entire life, and does not have a cash-value aspect. If you are healthy and relatively young (30s through 50s) you can buy thousands of dollars of life insurance coverage for a dollar or two a day.

Term insurance can be very customizable with its term and coverage options, and with additional features you can opt to add-on. These add-on features, which may cost extra, are known as riders. There are many riders, but these are the two most common:

- Child rider - A child rider provides coverage should the death of a child occur. Once the child reaches the age of 18, the rider can sometimes be converted to an individual policy without an exam. These riders typically cost on average $70 per year and cover all your children with a $10,000 benefit. So, if you have six children this rider still only costs approximately $70 to cover all six, not $70 for each child.

- Accelerated death benefit rider - The accelerated death benefit rider pays a portion of the death benefit to you (the insured) if you become terminally ill with a short life expectancy. This rider has become a standard in the industry and is usually included for free.

If you should die within the term, the entire coverage amount goes to your beneficiaries. When your term ends, your coverage ends; however, before your term length ends, you have the option of converting your policy to a permanent one. Term is ideal for those who need coverage for a specific period of time, but if your situation changes and you prefer coverage for your lifetime converting is an option. A clause is written into most term insurance contracts that allow you to make that conversion. Conversion does not require underwriting and if you convert within the stated conversion period all that is necessary are a couple of signatures. The life insurance company must issue you a permanent policy regardless of health.

After your term ends, if you decide to extend or renew your policy, you have the option but you will need to go through underwriting again. Your premiums will be higher since you are older and may have had a change of health. There is also a chance you may be deemed uninsurable and denied additional coverage.

Whole Life Insurance

Whole life is a permanent type of insurance designed to provide coverage for your entire lifetime. Over time, a cash value balance is created within the policy that you can use when you find yourself in need of extra money. It is because of this cash value and the lifetime coverage that whole life insurance has higher premiums.

A portion of your premium payment goes to pay for the actual life insurance coverage which is an amount equal to the face value of the policy, and then the remains are put in a high-interest conservative account. The cash value builds from investments made by the insurance company.

It's important to note that when you die, your beneficiaries receive the face amount plus any paid-up additions, but the cash value balance (if there is one) is not added on.

Universal Life Insurance

Universal life (UL) insurance is one of the most versatile types of permanent life insurance. It has a high degree of flexibility and an "unbundled" nature by its separate expense, protection, and cash value elements.

Flexible features:

- Premiums – Instead of being locked into a fixed premium schedule for life, you can potentially pay any amount between the required plan "minimum" to the IRS-imposed "maximum", depending on your cash flow needs and accumulation goals. Premiums may be increased, decreased, or even skipped depending on policy conditions.

- Death Benefit – You can adjust the amount your beneficiaries receive upon your death within plan limits without having to buy a new, separate policy. This can reduce costs and simply the process.

You have more flexibility with a UL permanent product than whole life, but you also assume additional risk. UL policies typically have fewer guarantees than whole life coverage, so you must be careful to manage your premium payments and any distributions taken to ensure your policy stays in force.

Temporary Insurance:
Term Life Insurance

Permanent Insurance:
Whole Life Insurance, Universal Life Insurance

How Much Coverage Do You Need?

It is recommended that you have enough coverage that amounts to at least 10 times your annual income, but each person's situation is different. Consumers are often at a loss on how much life insurance coverage they need. Life insurance is one of the most important purchases you can make for your loved ones, and it's understandable that you worry about choosing the right amount.

By answering a few questions, you'll have a better understanding on how much life insurance coverage you should own.

What is your current gross annual income?

This question refers to you alone, not the total household income. Life insurance is designed to replace the income of the person who is insured. To ensure your family will have the money necessary to replace your income, start out at multiplying your annual income by 10.

Example: Let's say your annual gross income is $50,000. This starts us off with a $500,000 policy.

How many children do you have under the age of 26? What level of college would you like to pay for your children?

These questions allow you to plan for college funds. If you planned on paying for your children's college tuition, these costs will also factor in to your life insurance coverage. Whether the colleges you had in mind were public or private also makes a difference when calculating coverage.

Example: Let's say you have 1 child and want to be sure to cover the tuition of the local public university. Four years at a public university is about $48,000 so now we're looking at needing $548,000.

How much do you owe for your current mortgage?

Paying off your mortgage is essential in planning for the unexpected. By knowing how much you owe on your mortgage, you can include this in your coverage amount as well so you do not leave your spouse with the responsibility of paying off the principal balance by his or herself.

Example: Let's say you owe $120,000 on your mortgage loan. Adding that to the coverage amount, we're now at $668,000.

How much do you currently have in savings?

If your loved ones have access to other forms of income replacement, then you don't need to purchase as much life insurance coverage. Your cash savings, retirement plans, bank accounts, etc. can help reduce the amount of life insurance your loved ones will need to maintain their current standard of living.

Example: Let's say with your checking, savings, and retirement accounts you have $100,000 in assets. You can subtract this so you are now looking at needing $568,000.

Following the hypothetical examples, you may need a life insurance policy that will leave about $600,000 behind to your loved ones (averaging and adding in final expenses such as a funeral and burial.) A healthy 40-year old man could get a $600,000 20-year term policy for as little as $30 a month. Keep in mind, these examples are not one-size-fits-all. Everyone's situation is different, so you may need less or more coverage.

About Quotacy

The world we live in is changing and the way people buy things has evolved. Quotacy was born from the passion of a team of insurance professionals who recognized an opportunity to enhance the way life insurance is being purchased online. We are committed to creating the best customer experience possible, putting the user in control, and breaking down the barriers so more individuals and families could learn about and purchase the gift of life insurance. We believe in the idea of putting the user first; making quoting faster, terminology easier, and the application process smoother for those who like to shop online.

Our purpose is saving families and our mission is for every person who has loved ones who depend upon them financially to own life insurance.

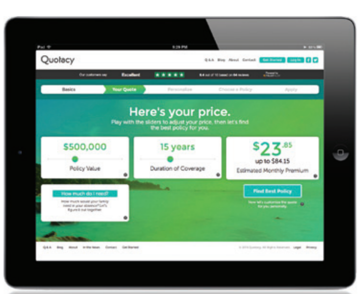
Quotacy is owned and powered by Hallett Financial Group, a life insurance Brokerage General Agency that has been helping licensed insurance advisors protect individuals and families since 1990 by providing customized life insurance quotes, case design, and case management services. Between Quotacy and our parent company, Hallett Financial Group, we have helped people protect their loved ones from financial tragedy to the tune of $14 billion dollars.

We ask that you run a term quote on our website. Here are three reasons why:

One: 80% of consumers overestimate the cost of life insurance. Find out for yourself how affordable life insurance really is.

Two: We are not going to ask you for your phone number or email address.

Three: It's fun to play with our interactive sliders to educate yourself about how life insurance pricing works.



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