



## Life Insurance Overview for Early Educators

**Do women buy life insurance for their families?** Historically, men were known as the main breadwinners in a family, so insurance companies targeted men. Some studies show that as many as 64 percent of American women carry no life insurance. And those that do have a policy are often underinsured; statistics show that women who do have life insurance carry about half as much coverage as men do.<sup>1</sup>

**What is life insurance?** Life Insurance is a promise that an insurance company makes to you to pay a specific amount of money upon your death. It is a premium-paid benefit designed to make payment to designated beneficiary(ies) in the event of loss of life. Oftentimes, it is accompanied by accidental death and a dismemberment clause. Accidental death generally pays out at two times the annual salary or benefit amount with an imposed maximum. Dismemberment (i.e. a loss of an arm or leg) is a clause that provides a reduced payout in the event of loss or usage of limbs that performs one or more life functions.

**Are all life insurance policies the same?** All life insurance policies are not the same. They can be divided into two basic categories — “term” and “permanent”. Term life insurance provides coverage for a specific period of time, while permanent life insurance provides coverage for the insured person’s entire life.<sup>2</sup> You may also purchase optional riders or additional coverage. According to the NC Department of Insurance life insurance categories are defined as follows:

### Types of Life Insurance by Category

#### Term

- Level
- Increasing
- Decreasing

#### Permanent

- Traditional Whole Life
- Universal Life
- Variable Life

**Term life insurance** is the simplest form of life insurance. It provides a pure death benefit. The policy will cover the insured for a specified period of time (the “term”), such as 10 or 20 years, or until a specified age. It does not build a “cash value.” At the end of the term period, the policy typically terminates without any remaining benefits or monetary value. Term insurance is ideally suited to cover specific needs that may decrease or disappear over time.

*“Life insurance needs often decline as you age, and you might be able to eliminate this expense. Replace life with a term insurance policy if you can find cheaper coverage this way.”*

-- Jonathan Pond, AARP Contributor

**Permanent life insurance** is designed to provide protection for the entire life of the insured person, as long as the premiums are paid. Permanent life insurance is designed to provide protection for the entire life of the insured person, as long as the premiums are paid.

**How can you be a wise consumer?** It is important to use care when shopping for life insurance. The cost of insurance can be significant and the benefits provided may be extremely important to your survivors. AARP reports that reviewing your current life insurance policy can save you money.<sup>3</sup> Determine what insurance you need, check your budget, contact professional and membership organizations which you belong to (NAEYC, NC Early Educator Certification, AAA, AARP etc.) to learn if they provide a discount on life insurance, then shop around so you can select a product that meets your needs.

### Resources

How Much Life Insurance Do You Need to Buy?

<http://www.goodfinancialcents.com/how-much-term-life-insurance-do-you-need-to-buy/>

Tips on Buying Life Insurance

<http://www.pueblo.gsa.gov/acli/#tips>

Term or Whole Life?

<http://www.smartmoney.com/personal-finance/insurance/term-or-whole-life-8011/>

<sup>1</sup> J.D. Power & Associates <http://www.idpower.com/insurance/articles/Why-Do-So-Many-Women-Lack-Life-Insurance>

<sup>2</sup> NC Department of Insurance [http://www.ncdoi.com/consumer/consumer\\_publications/life%20and%20annuities/consumer%20guide%20to%20life%20insurance.pdf](http://www.ncdoi.com/consumer/consumer_publications/life%20and%20annuities/consumer%20guide%20to%20life%20insurance.pdf)

<sup>3</sup> AARP [http://www.aarp.org/money/personal/jonathan\\_pond/articles/pond\\_insurance\\_you\\_probably\\_dont\\_need.html](http://www.aarp.org/money/personal/jonathan_pond/articles/pond_insurance_you_probably_dont_need.html)