

Life insurance: Why you need it

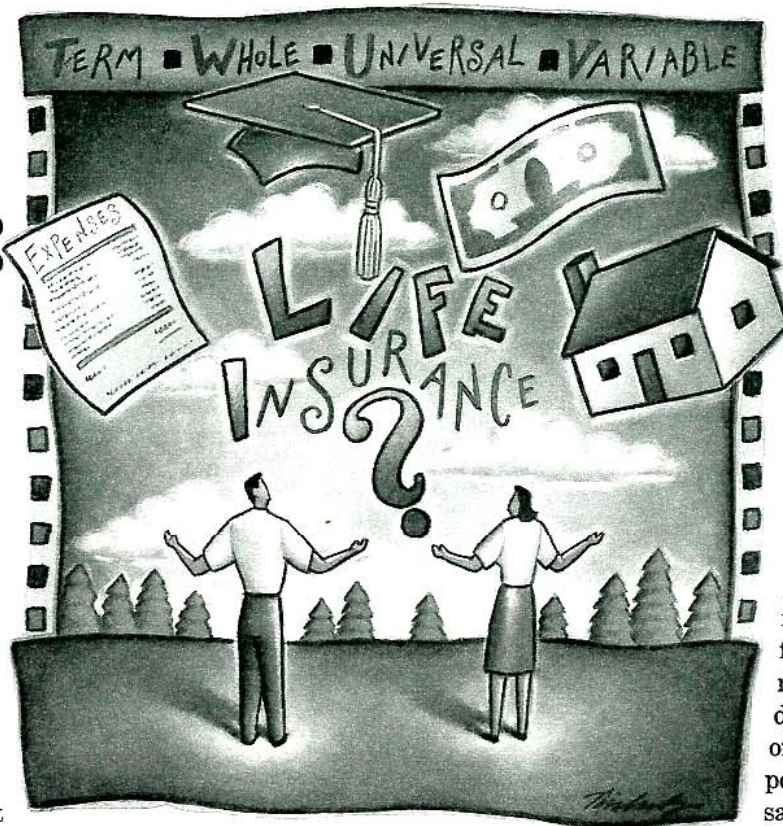
One-third of U.S. households are living without it, but in this economy, it's more important than ever.

BY SHARON EPPERSON

PAME SKIDMORE, 27, an engineer, didn't think about the effect her loss of life and loss of income could have on her husband, David, until recently. Since purchasing their first home earlier this year, the Omaha couple has made it a priority to be adequately insured. "It's usually the guy makes more money and the guy passes away first," she says. But as the primary breadwinner, Pame, who has only minimal coverage through her employer, knows she needs to be more responsible. "It's something I need to do."

Nearly one-third of U.S. households do not have any life insurance, according to LIMRA, an insurance research and consulting firm. In these uncertain economic times, many couples may recognize the need for life insurance. But while some, like the Skidmores, are now trying to figure out how to cover their insurance needs, a new State Farm survey finds 74% of couples have rarely or never discussed the topic.

Discussing death is uncomfortable and can be more difficult under financial stress, but it's



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important for families to prepare for the unexpected. How will expenses change? Will the surviving spouse move? What will happen to dependent children's education? Is there a need for child care? Do you want to cover your survivor's retirement years as well? All of these are important questions to answer, before even talking to an insurance agent — or several.

Some life insurance agents have gained a bad reputation over the years for pushing expensive products with an intangible benefit — intangible, at least, for the living. Consumers "focus on the product and premium, rather than what this is for," says Mary Quist-Newins, a professor at The American College, which offers academic accreditation for financial services providers. Instead, Quist-Newins says, the focus should be on "what's the need, what's the game plan for me and my survivors."

Three areas are key in determining your life insurance needs:

Cash flow. What is the effect of loss of income vs. expenses if you die, and what new expenses may come?

Capital. How much money is needed to pay off the mortgage and pay for children's education?

Final expenses. What is the cost for funeral and burial services?

Calculators at lifehappens.org and dinkytown.net can help you run the numbers to figure out how much life insurance you need. Term life insurance policies — which give you coverage for a set period of time — can be very affordable. A 40-year-old man making \$50,000 a year who doesn't smoke can get \$500,000 of coverage with a 30-year-term policy for less than \$35 a month, says Byron Udell, founder of Accuquote.com, a website that

offers free quotes on term life insurance coverage. It's less than the cost of taking a family of four to Denny's, Udell says.

Permanent "cash-value" policies — which include insurance and investments — may be more expensive. Still, it's worth exploring many options, Quist-Newins says. Find an independent insurance agent in your area at iiaba.org. Then, in assessing the type of life insurance needed, Quist-Newins suggests researching not only the premium but also the provider.

"It's really important that when people are looking at insurance that they look at more than just the price," she says. "Look at the ratings, reputation, reserves and also the retention of policy holders." If customers are going in and out of a plan, it's going to cost more, she says. But most important, you want to make sure the insurer is financially strong so the benefit will be paid when you need it. **W**

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