

The Facts of Life Insurance

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Debunking 5 Common Life Insurance Myths

Having a solid life insurance policy in place is crucial for any adult who has assets, a business, or a steady income. While most adults know that having a life insurance policy is a vital piece in their financial puzzle, there are many life insurance myths out there that are still believed. This inaccurate knowledge may cause some to make uninformed decisions or discount the idea of life insurance altogether. Below are some common myths that still need to be dispelled.

Myth #1: Life Insurance Is Only Used When You Die

While one of the most common types of life insurance policies, term life insurance, is designed to pay your beneficiaries in the event of your death, it is not the only life insurance product available. Some life insurance policies are designed to provide you with a death benefit as well as a vessel for saving money if you outlive your retirement savings or need to supplement your plan.¹

Myth #2: You Don't Need Life Insurance if You're Single and Childless

You shouldn't wait to get married or have children to get a life insurance policy. It is not a product that is able to be bought when needed. Additionally, the longer you wait, the higher the cost of premiums will be. Premiums will get higher as you get older, and if you are young and healthy, you will be able to lock in a fantastic rate for decades. If you are single and have debt, buying a policy is even more important, as your untimely death may leave your extended family with the financial burden of repaying your debt.¹

Myth #3: A Company Policy is Enough

Many companies offer small life insurance policies as part of their employee benefits program. These policies are often smaller and primarily designed to cover funeral expenses and a short amount of salary coverage. While these policies may be enough for young and single employees, they will likely not cover their future needs. Additionally, these policies are often terminated when you leave the company.²

Myth #4: Life Insurance Premiums are Expensive

Premiums vary from policy type to policy type and company to company and are often more affordable than most people realize, especially when you are younger. If you have a specific budget in mind, companies will work with you to find the product and payout that you will be able to get based on the premium amount that you will be able to afford each month.²

Myth #5: Pre-existing Conditions Automatically Disqualify You

Pre-existing conditions will likely affect the amount of premium you pay for a life insurance policy but not necessarily disqualify you from obtaining a policy. While it is always better to get life insurance when you are younger and healthy, many policy underwriters will accept certain conditions and be able to structure a policy for you.²

Important Disclosures:

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All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

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Footnotes:

¹"1 Life Insurance Myths That Need To Be Debunked," Forbes, <https://www.forbes.com/advisor/in/life-insurance/10-life-insurance-myths-that-need-to-be-debunked/>

²"Top 10 Life Insurance Myths Revealed," Investopedia, <https://www.investopedia.com/articles/pf/08/life-insurance-myths.asp>