

Frequently asked questions about life insurance



Who needs life insurance?

If someone will suffer financially when you die, you need life insurance. If you were to die today, life insurance would provide cash to your dependents that can help pay for your funeral and other final expenses, meet everyday living expenses, pay down the mortgage, finance longer-term goals like education and retirement, and generally maintain your family's quality of life.

Where do I begin?

Start by evaluating your family's needs. Gather all your personal financial information and estimate what your family would need to meet current and future financial obligations and maintain their quality of life if you were gone. Include immediate expenses at the time of death (e.g., burial costs, outstanding debts, medical bills, estate taxes), ongoing expenses (e.g., food, clothing, housing, utilities, transportation, health care, insurance) and future expenses (e.g., university, college and retirement funding).

How much life insurance do I need?

Since the amount of insurance you need depends on your specific circumstances, there's no simple formula to help determine the amount that's right for you. That said, when you consider all the things that life insurance proceeds need to fund and how long the money will be needed, you begin to realize that your true need for coverage is often 10 or 15 times your gross income, sometimes more.

Should I buy term or permanent life insurance?

It's impossible to say because the kind that's right for you depends on your unique circumstances and financial goals. But generally speaking, term offers the greatest coverage for the lowest initial premium and is a great solution for people with temporary needs or a limited budget. Permanent insurance may make more sense if you anticipate a need for lifelong protection and like the option of accumulating tax-deferred cash values. Also, it doesn't have to be either one or the other. Oftentimes, a combination of term and permanent insurance is the right answer.

What should I consider in naming beneficiaries?

There are several key considerations:

- Always name a "contingent," or secondary, beneficiary, just in case you outlive your first beneficiary.
- Select a specific beneficiary, rather than having the proceeds of your life insurance paid to your estate. One of the great advantages of life insurance is that it can be paid to your family immediately. If it is payable to your estate, however, it will have to go through probate with the rest of your assets.
- Be very specific in wording beneficiary designations. Saying "wife of the insured" could result in an ex-spouse getting the proceeds. Naming specific children may exclude those born later. Changing the beneficiary designation is easy, but you have to remember to do it.

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Foresters Financial | 789 Don Mills Rd. | Toronto, Ont., M3C 1T9 | 800-828-1540 | foresters.com

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