MomLifeInsurance

FREE GUIDE

The mom's guide to buying term life insurance

How to size, choose and buy term life when your family depends on you

Term life insurance is a promise with an end date: you pay a premium, and if you die during the term, the insurer pays your beneficiary a lump sum. This guide helps you decide how much, for how long, and what to ask.

1. How term life works

You pick an**amount**, such as $500,000, and a**term**, such as 20 years. You pay a premium. If you die during the term, the insurer pays the amount to the**beneficiary** you named. If you are alive on the last day, the policy ends and nothing is paid.

- Term is meant to cover a stretch of life when others depend on you.
- On a level term policy the premium stays the same for the whole term.
- Term generally has no cash value. Cash value policies such as whole life cost more for the same amount of coverage.
- Many policies can be renewed or converted at the end, usually at a higher price. Ask what yours allows.

> A lump sum does not replace a person. It gives your family time and choices.

2. Pick the amount, the length and the person

1. **Amount.** A common rule of thumb is 10 to 15 times your yearly income, plus debts, minus savings and coverage you have. If you do not earn a paycheck, use the yearly cost of replacing your work at home.
2. **Length.** Write down the date your youngest turns 18 and the date the mortgage is paid. Choose a term that reaches the later one, rounded up to a length insurers sell.

General education, not insurance, legal or tax advice. Figures are examples unless a source is named. Prices and rules vary by state and insurer.

3 **Person.** Name a primary and a contingent beneficiary. Insurers generally do not pay a large sum directly to a minor child, so many parents name a spouse or trusted adult or ask an attorney about a trust.

Your situation	Often points toward	Why
Newborn and a new mortgage	20 to 30 years	Coverage should reach past school age and the loan
Youngest in middle school	10 to 15 years	Fewer years until the kids are independent
Debts and childcare, little else	A larger amount, shorter term	The need is big now and shrinks later
Not sure	Ask for two quotes	Seeing two lengths side by side settles it

3. Questions to ask a licensed agent

Write the answers on the lines below during the call. Ask every insurer the same questions.

Which insurers did you compare, and for which amounts and terms?

Is the premium level for the whole term?

What would renewal cost when the term ends, and is there an age limit?

Can I convert to permanent coverage, and until when?

Do I need a medical exam, and what changes if I skip it?

Which riders are included and which cost extra?

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4. Five mistakes that cost families the most

1. Naming only the kids as beneficiaries, with no adult to manage the money.
2. Counting a work benefit as enough, then losing it with the job.
3. Buying a term shorter than the mortgage or the years of childcare ahead.
4. Letting the premium lapse because the card on file expired.
5. Leaving a stay-at-home mom without a policy because she has no paycheck.

5. Your next seven days

- [ ] Run the coverage calculator and write down one number
- [ ] Write the three dates: youngest turns 18, mortgage paid, income needs fall
- [ ] List who would be primary and contingent beneficiary
- [ ] Check what life insurance you have through work
- [ ] Ask a licensed agent for quotes on two amounts or two lengths
- [ ] Put the policy papers in one place and tell your partner where

Sources

- NAIC: Life insurance consumer guide
  content.naic.org/consumer/life-insurance.htm
- NAIC: State insurance departments and agent lookup
  content.naic.org/state-insurance-departments
- CFPB: Buying a house
  www.consumerfinance.gov/owning-a-home/

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