

LIFE INSURANCE

HOW MUCH LIFE INSURANCE DO YOU ACTUALLY NEED?

The purpose of life insurance is to replace the loss of income upon the death of the insured and to be able to pay debts, funeral expenses, education costs, etc. How much is necessary? That fully depends on your current life situation. A family with young children will have different life insurance needs than a couple nearing retirement.

When considering life insurance, the first step is to evaluate your life insurance needs. This is to ensure you have enough coverage, the right type of coverage, and the correct beneficiaries.

To ensure you have enough coverage, use a simple acronym, **LIFE**, to calculate your life insurance needs.

- **L**iabilities – mortgage, debt, etc.
- **I**ncome – annual salary X years to replace that income
- **F**inal Expenses – burial, estate, etc.
- **E**ducation – college for survivors

From that total, subtract your current saving, existing college funds, and current life insurance policies.

The difference provides the amount of life insurance coverage needed. In addition to this simple calculation, there are many online calculators to help you determine your insurance needs. The VA provides one such calculator:
<https://insurance.va.gov/NeedsCalculator>

Next is to determine the right type of coverage.

TYPES OF LIFE INSURANCE

While in the Service, the Servicemembers' Group Life Insurance (SGLI) provided you no cost life insurance. There was also an option to cover your family with Family Servicemembers' Group Life Insurance (FSGLI). After transition, SGLI coverage continues for 120 days (or up to two years of free coverage if disabled and unable to work by applying for the SGLI Disability Extension). After that time, SGLI is no longer an option, but there are other options available:

- **Veterans Group Life Insurance (VGLI)**—allows Service members one year plus 120 days, from the date of separation, to convert their SGLI coverage to term life insurance
<http://www.benefits.va.gov/insurance/vgli.asp>
 - Once enrolled in VGLI, coverage remains if the premiums are paid
 - Rates are determined using a sliding scale based on age
- Coverage from an insurance company
- Coverage from your employer
- **Term Life Insurance:** provides coverage at a fixed rate of payments for a limited period of time or term.
 - Generally, coverage expires after the limited period of time.
 - Renewing the policy may result in a higher rate or have added conditions.
 - Often the least expensive way to purchase substantial death benefits.
- **Permanent Insurance:** covers you until your death, while the payments are made, and provides a cash value.
 - Under the Permanent Life Insurance umbrella, there are four types:
 - (1) Whole Life (2) Variable Life (3) Universal Life and (4) Variable Universal Life.

- Payments are made until the coverage matures, generally around age 100 of the insured.
- Payments are generally less expensive the earlier the insurance is purchased and as long as the payments continued to be made.
- Frequently more expensive than term life insurance and maturity values may be different from term policies.
- Ensures a guaranteed financial support.

Determining whether term or whole life insurance is better for you and your family is a decision you need to make and should be based on research you have conducted.

Finally, ensure you have identified a designated beneficiary. This is the only way to ensure the life insurance is paid to whomever you choose. A beneficiary designee will supersede any designations made in your will.

Final thoughts on Life Insurance:

- Finding the best life insurance company takes time as there are hundreds competing for your business.
- Shop around and get life insurance quotes from a few different companies. However, realize that you will be required to provide them basic information including your contact information to obtain a quote. This may lead to phone calls or emails from the company.
- By comparing quotes, you can discover the differences in cost and in coverage, as well as how much premiums will increase as you age.
- Depending on how long you wait to find life insurance coverage, and the life insurance company you choose, you may be required to take a physical. The results of the physical can affect the cost of the premium.

If you intend to purchase life insurance, it is recommended that you do so within 240 days after date of discharge. Within this window of time, proof of good health may not be required for converting from SGLI to VGLI. Companies may offer life insurance with similar policies but with different time frames and requirements.

Do the research and be an informed consumer before inquiring or purchasing life insurance. For any questions, the Personal Financial Manager on your installation can provide additional information and guidance.

DISABILITY INSURANCE

One other type of insurance to consider is disability insurance. When an Active-duty Service member becomes ill or injured, he or she continues to receive pay and benefits. This type of coverage is not automatic in the civilian sector.

Generally, an employee must elect to have disability insurance to receive some or all their pay while in recovery. Many employers offer some type of disability insurance as part of the compensation package, or it can be purchased separately.