



# Planning for your family's financial future includes protection. Life insurance can help.

The purpose of life insurance is to provide your family (or other beneficiaries) with money if you are no longer able to do so. This money can be used to replace your lost income, helping to pay daily living and other expenses. It can also be used to leave money to your heirs for education or to fund a favorite charity. Your beneficiaries won't have to pay federal income tax on the life insurance benefits that they receive. However, the face amount of any policies would be included in a determination of your estate's value for estate tax purposes, except in limited cases involving a life insurance trust.

## How much life insurance will you need?

There are no "rules of thumb" to cover every situation. The amount of insurance you need depends on your circumstances. For example, you may not need any insurance at all if you have no dependents and have enough money set aside to cover your final expenses. If you do have people that depend on your income, you may consider whether they also rely on your "hidden income," which could include health, retirement, and other benefits offered through your employer. Survivors may also have to pay for household management activities, such as cooking, cleaning, childcare, etc. But remember—your dependents could receive death benefits from other sources such as Social Security or an employer provided life insurance plan.

## What types of life insurance are available?

There are two broad categories of life insurance available today: term and whole (or permanent) life.

- **Term life insurance** provides protection for a specific period of time (the term) and pays a benefit if you die during the term. Premiums for level term insurance remain constant for the life of the policy, while premiums for annual renewable term insurance typically increase for each year the policy is in force. Term insurance typically provides the most protection per dollar of premium.
- **Whole life insurance** provides a death benefit when you die, while the policy is in force, and features an additional savings component. As long as you keep paying the premiums, the death benefit will be paid to your beneficiaries. A whole life policy is much more expensive than a term life insurance policy.

There are many types of insurance within these basic categories, and each has its own pros and cons. The right policy for you depends on many factors, including how much you can afford to pay and the length of time you'll need coverage. Keep in mind that one main reason for life insurance—replacement income—usually ends at some point, reducing or eliminating your need for life insurance.

## Some buying tips

Shop around and compare policy prices and features from several different companies. Look for insurers that are licensed to do business in your state and that are in good financial condition. There are many independent services available that "rate" a company's financial strength. If you're buying insurance through an agent, make sure that he or she is properly licensed to sell the type of insurance you're purchasing.

## Learn more

For more information, contact your state's insurance commissioner or visit the National Association of Insurance Commissioners' Web site at [www.naic.org](http://www.naic.org).

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