

Life Insurance at an Early Age

Here's why it can be a good idea.

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You may have read that you don't need to buy life insurance early in life. That's not necessarily true. In fact, getting a policy before midlife may prove wise. Relatively few people opt for life insurance coverage between the ages of 18 and 45, yet there are compelling reasons to get life insurance within this window of time.

Ask yourself this key question. Are you supporting individuals whose livelihood depends on your income? If the answer is yes, then look at life insurance.

Now, you may be saying: shouldn't I wait to get a policy? Why should I pay premiums when I have so many other checks to write? Well, the reluctance is understandable: the perception is that life insurance is for old people, and when you're 30 or 35, chances are you've got a long, great life ahead of you. But in financial terms, here is why purchasing some now may be advantageous.

You've got your health. Typically, Americans shop for a life insurance policy in the middle of their life spans – when they are in their forties or fifties. At that time, they may have already fallen into the grip of bad habits (smoking, obesity, heavy drinking) and any number of diseases may have entered their health picture. All these conditions can jack up premiums or make it harder to underwrite a policy.

Since you're healthy, the cost is relatively cheap. Okay, maybe you won't have to contend with any serious health risks at 45 or 50 – but who knows? Buying a term or permanent life policy earlier in life should allow you to pay less expensive premiums (assuming you don't face recurring risks to your health and safety today).

Look at term life insurance – coverage you can pay level premiums on for 10-30 years. Right now, term life is cheaper than it has been in 20 years. You can chalk that up to two actuarial factors: we are all living longer, and the gap in life expectancy between men and women has begun to narrow. If you are 40 right now, you can probably get yourself a term life policy with death benefits of \$250,000, \$500,000 or even \$1 million for less than \$1,000 a year. That's possible even if you happen to be closer to 50 than 40.¹

Why would young singles need life insurance? Good question. Some financial professionals will tell you there is no pressing reason for it. Yet if you are single, buying a term life policy (or even a permanent life policy) early on could bring you a better insurance value and potentially guarantee your insurability.

Maybe now is just the right time. Time passes, things change, and so does your need for insurance. Many households don't insure themselves because they think insurance is more expensive than it actually is. In doing so, it is as if they are opening their front doors wide to risk. In 2014, the respected insurance industry group LIMRA concluded a research study and found that just 46% of middle-income, mid-life consumers (age 25-64, annual household income \$35,000-\$99,999) owned individual life insurance policies.²

This next statistic won't surprise you: 51% of these middle-class consumers said that if a family member died, they would be forced to make major and sudden financial changes in their lives. In such an event, life insurance benefits can provide some financial relief.²

If you're young and you haven't yet talked to a qualified insurance advisor, think about doing so today – you may be pleasantly surprised how affordable life insurance can be.

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Citations.

1 - consumerboomer.com/term-life-life-insurance-is-cheap-to-buy/ [3/2/13]

2 - tinyurl.com/kapen68 [9/7/14]