

TODAY'S Parent

Celebrating Family Life

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Ten Tips for First-Time Buyers

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Don't know a lot about life insurance? These tips from FIDELITY Mutual Life Insurance Co., Inc. will help you understand these financial products so you can make an informed decision when buying your first policy.

Always shop around before buying.

It's important to compare prices before you purchase a policy. You should get quotes from a few companies before you make a final decision. Insurance companies are also rated by independent companies such as the A. M. Best Corporation, Moody's Investors Service, and Standard & Poor's Insurance Rating Service. You should check the ratings of different insurance companies so you will be informed about each company's quality and dependability before buying. Determine your need for life insurance.

Your life insurance needs change as your life changes. Even when you are young and do not have any dependents, you may still want life insurance. However, as you take on more responsibilities and you start a family, your life insurance needs will increase. Even if you have significant financial resources, you may still need the added security of a life insurance policy. Share most of us live within a budget. Life insurance is a good idea to help ensure the financial future of our loved ones.

Only buy as much insurance as you need.

Everyone's financial needs are different, but you should select a policy that meets your requirements at an affordable and competitive premium. Figure out how much cash and income your dependents will require when you die. A good way to determine the correct amount is to add up all of your current and future obligations and then subtract your assets. A faster way to get a general idea of your needs is to multiply your salary by six or seven. Using this formula, a person who makes \$60,000 annually will need approximately \$360,000 in insurance. Share this vertex from person to person, an insurance agent can review your financial information to help establish the correct policy amount for you.

Buy in good health.

Life insurance premiums can vary from company to company and several factors can influence premium rates, including amount and type of coverage, your age, gender, health and lifestyle choices, and family medical history. One way you may be able to lower your premium is if you improve your health. Your premium may be significantly higher if you smoke, are overweight, or have other medical problems, because to an insurance company, these characteristics could make you a higher risk. Suggestions to possibly help lower your premium include quitting smoking and staying in shape.

Keep your financial goals in mind. Life insurance can cover a lot more than burial costs. The benefits money can be used for many goals including paying off mortgages, loans or credit card debt, household expenses, setting up investment or retirement accounts, covering college costs or starting an education fund for the future, as well as providing a nest egg for family emergencies. Since different policies are better suited for different purposes, it is important to keep your ultimate objectives for the funds in mind when selecting a policy.

Consider a "term" life policy.

As the name implies, a "term" life policy provides coverage only for a specified period, but the cover is not permanent unless you purchase insurance within a limited budget, such as when you are just starting a family. This is also a flexible option if your need for coverage will decrease over time. You could consider taking out a term life policy until your children finish college or are financially independent.

Buy a renewable or convertible policy.

While these features may cost the premium up, it may be worth the extra cost. A "renewable" term life policy allows you to renew at the end of the term. The premium may increase each time you renew, but there are products available that maintain the same premium for many years. A "convertible" term life policy offers you the option to change your term insurance into "whole life" insurance, once your term term is more active. With this feature, you will be able to upgrade to a permanent whole life policy that builds up a cash value, which is not found in term life policies. Whole life policies provide protection for the entire life of the insured, as long as the premiums are paid.

Update your policy periodically. Throughout the stages of your life, your needs will change. It is important to update your life insurance policy from time to time to reflect these changes. This should be done especially with the birth of each child or whenever a new major debt is acquired, such as the purchase of a new home.

Tell your family about your policy.

Unlike other types of insurance, life insurance death benefits typically all that's needed is a copy of the death certificate and a statement from the beneficiary (you should check with your insurance company for its specific death claim requirements). However, your family members have to be aware of your policy in order to claim the death benefits. Be sure that they know you have taken out a policy and where the important paperwork is kept.

It's never too late.

Maybe you didn't think to buy a policy when you were younger, but it's never too late. Today's insurance companies offer products specifically designed for people aged 50 to 75. Many of these products feature guaranteed acceptance, so you can't be turned down for any reason.

Additional information is available in major periodicals including The Wall Street Journal, Barron's and Kiplinger's Personal Finance. You can also refer to the following Web sites:

The Personal Finance section of *Money* magazine.

The "Insurance" section of *Investment* magazine.

The "Insurance" section of *Forbes* magazine.

The "Insurance" section of *Entrepreneur* magazine.

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