

Figure out if you want life insurance riders.

Life insurance companies generally let you add extra coverage to your policy through life insurance riders. These riders can include benefits you can use while you're alive, such as accelerated death benefits, long-term care, term life conversion and waiver of premium if you become disabled.

Adding a rider may increase the cost of life insurance. If you're interested in expanding coverage through a life insurance rider, ask your life insurance agent to explain the options.

Types of Life Insurance

There are two primary types of life insurance: term life and permanent life.

Term Life Insurance

Term life insurance is a policy where you choose the length of coverage, such as 10, 15, 20 or 30 years. If you die within that term, your beneficiary will receive the death benefit. If you outlive the term and don't renew the policy (at a higher cost), there is no death benefit.

Term life insurance is good for folks who want to cover a specific financial concern, such as income replacement during your working years.

Permanent Life Insurance

Permanent life insurance is good for folks who want a death benefit paid out no matter when they pass away. Permanent life insurance policies also have a cash value component that can accumulate money on a tax-deferred basis. Permanent life insurance is usually significantly more expensive than term life.

People who choose permanent life insurance usually have specific goals in mind, such as supporting financial dependents, funding a trust for heirs, or building cash value to supplement retirement savings.

Permanent life insurance can be broken down into main subtypes:

Whole life insurance

Whole life insurance is predictable because the premiums, rate of cash value growth and amount of the death benefit are fixed and guaranteed.

Universal life insurance

This type offers more flexibility and you may be able to adjust premium payments and death benefits within certain parameters. The cash value growth will depend on the insurer and the performance of the invested assets that are underlying the policy. Types of universal life insurance are fixed-rate universal, guaranteed universal, indexed universal or variable universal.

Permanent life insurance policies can be difficult to understand from quotes or hypothetical illustrations. Simply comparing life insurance quotes or some projection of cash values won't reveal whether the policy is a good value. "Look under the hood," advises Flagg of Veralytic. For example, a life insurance agent or financial advisor can request a Veralytic report to see how the policy you're considering compares to industry benchmarks.

"Ultimately, the premium you'll have to pay and/or the cash value growth you'll see depends on what the insurer actually charges and how well the investments do. You want to confirm that internal policy costs are competitive and that the investments within the policy fit your risk tolerance," cautions Flagg.

Variable life insurance

Variable life insurance offers flexibility not found in whole life insurance, but with a safety net so your death benefit can't drop below a certain amount.

That flexibility includes deciding on where to invest your cash value. The investments you choose play a vital role in the success of your policy, which makes this an option if you want to play an active role in your life insurance. Unlike a variable universal policy, a variable life insurance policy offers a safety net so that your death benefit won't fall under a specific dollar figure.

A variable life insurance policy doesn't let you change your premiums, which also makes it unlike variable universal life.

Similar to other types of permanent life insurance, a variable life policy offers cash value, which you can tap into while you're alive. You need to make sure your policy maintains at least a minimal level of cash value or your policy could lapse.

No-Exam Life Insurance

Life insurance companies sometimes offer policies without a life insurance medical exam. These no-exam life insurance policies don't require an exam but you may be asked to answer health-related questions.

Types of life insurance policies include:

Accelerated underwriting: Life insurance companies primarily use information from third-party sources and algorithms to set your rate. The insurance company will review your prescription

drug history, criminal record and driving record to gauge your risk. With that information, the insurance company will set your life insurance rates.

Guaranteed issue life insurance: There's no medical exam, no health questions asked and you can't be turned down.

Simplified issue life insurance: There's no medical exam, but you likely have to answer a handful of health questions.

Guaranteed issue and simplified issue policies can cost much more than policies that are fully underwritten, but they're a way to get life insurance quickly and may be the only option for older people and those with health issues.

Other Types of Life Insurance

Other types of life insurance include:

Burial insurance: Also called funeral insurance or final expense insurance, a burial insurance policy typically has a small death benefit meant to pay off final expenses, such as \$10,000. They are typically whole life insurance policies and will have a high cost for the amount of coverage.

Survivorship life insurance: A survivorship life insurance policy, also called second-to-die life insurance, offers coverage for a husband and wife. The death benefit isn't paid out until both people die.

Mortgage life insurance: A mortgage life insurance policy pays off your mortgage if the policyholder dies. The payment goes directly to the mortgage lender.

Supplemental life insurance: Supplemental life insurance is a free or low-cost group policy that may be offered by an employer or group. If a supplemental policy is connected to an employer, you will likely lose that coverage if you quit or are terminated.

How Much Does a Life Insurance Policy Cost?

The average cost for a 10-year, \$250,000 term life insurance policy for a 40-year-old man is \$192 a year. That's compared to \$276 a year for a \$500,000 policy and \$420 for a \$1 million policy.

The average cost for a 10-year, \$250,000 term life policy for a 40-year-old woman is \$168 a year. That's compared to \$264 a year for a \$500,000 policy and \$336 for a \$1 million policy.

Permanent life insurance policies cost more for the same amount of coverage as term life insurance.

The cost of life insurance varies by the company and your age, health, gender, type of coverage, length of coverage, amount of coverage and other factors.