AMERICANA
Financial Group

FIELD GUIDE Nº 3

Life Insurance

What it is for, how much is enough, and who actually receives it.

WARRENVILLE, ILLINOIS · LAS VEGAS, NEVADA

What's inside

> *Most people buy it once, never look at it again, and hope. This guide covers what the policy types actually do, how coverage is sized, and the one form that decides where the money goes.*

I

What it is really for

Income replacement — not a windfall.

Life insurance answers one question: **if your income stopped permanently tomorrow, what would the people who depend on it have to change?** The mortgage, the tuition, the day-care bill, the years of retirement saving that would never happen — those are the numbers a policy is sized against.

It is not an investment first and it is not a windfall. It is a transfer of a risk your household cannot absorb on its own to a company that can.

> *If nobody would suffer financially without your income, you may not need coverage at all. That is a legitimate answer — and a short conversation.*

II

Term — the workhorse

Cheap, temporary, and right most of the time.

Term covers a set number of years — commonly 10, 15, 20, or 30 — and pays only if you die during that window. Nothing builds up inside it. That is exactly why it costs a fraction of permanent coverage for the same death benefit.

It fits obligations that end: the years until the mortgage is retired, until the youngest finishes school, until the retirement accounts can stand on their own.

Most term policies are **convertible** — exchangeable for permanent coverage without a new medical exam. That option has real value if your health changes.

> *Match the term length to the obligation, not to a round number. A 30-year mortgage taken at 40 does not need a 30-year policy if the plan is to retire at 65.*

III

Permanent coverage

Whole, universal, and what the cash value really is.

Permanent policies are built to last your whole life and hold a cash value that grows tax-deferred. **Whole life** fixes the premium and the guaranteed growth. **Universal life** loosens both — flexible premiums, credited interest, and more of the outcome resting on how the policy is funded.

Permanent coverage suits needs that never expire: final expenses, a special-needs dependent, business continuity, or estate liquidity.

> *Cash value is not a savings account. Withdrawals and loans reduce the death benefit, and an underfunded policy can lapse — sometimes with a tax bill attached.*

IV

How much is enough

A method, not a multiple.

The rule of thumb — ten times income — is a starting point and a poor stopping point. The needs method is better arithmetic:

- **Add** final expenses, all outstanding debt, the mortgage balance, and future education costs
- **Add** the income your household would need replaced, and for how many years
- **Subtract** existing coverage, liquid savings, and survivor benefits already in place

What remains is the gap. That is the number worth insuring.

> *Run the number against your household, not your salary. A non-earning parent providing full-time care represents a very real cost to replace.*

V

Riders worth knowing

The clauses that change what a policy can do.

Riders attach to a policy and adjust what it covers. A few come up in almost every review:

- **Waiver of premium** — the insurer pays your premiums if you become disabled
- **Accelerated death benefit** — access to part of the benefit on a terminal or chronic diagnosis
- **Child or spouse term** — modest coverage for the rest of the household
- **Guaranteed insurability** — buy more later with no new medical exam

> *Riders are not free and not universal. Availability and cost vary by carrier, product, and state — read what is actually on your contract.*

VI
Underwriting

What the application process really involves.

Underwriting is how the insurer prices your risk. Expect questions on health history, family history, prescriptions, occupation, travel, and hobbies — and usually a short medical exam, though **accelerated underwriting** increasingly waives it for healthy applicants at moderate face amounts.

You are sorted into a rate class. The difference between classes is real money over thirty years, and honest, complete answers protect the claim later.

> *Never leave a health detail off an application. A misstatement discovered during the contestability period can reduce or void the benefit at the worst possible moment.*

VII
Beneficiaries

The form that outranks your will.

A life insurance benefit passes by **beneficiary designation** — not by your will. Whatever name is on that form is who receives the money, even if the will says otherwise and even if the marriage ended a decade ago.

Name a **contingent** beneficiary as well, so the benefit does not fall into the estate if the primary is gone. And think twice before naming a minor outright — proceeds to a child generally require a court-appointed guardian or a trust.

> *Review designations after every marriage, divorce, birth, and death in the family. It is the single most common — and most costly — piece of stale paperwork we find.*

VIII
Common mistakes

The patterns we see most often.

Buying only at work. Group coverage is usually a small multiple of salary and rarely follows you out the door.

Insuring one earner. Two incomes usually means two exposures.

Letting term lapse just before conversion closes. Conversion privileges expire, often well before the term does.

Sizing to a payment. Deciding on premium first and coverage second produces a policy that fits the budget and not the need.

> *The most expensive policy is the one that was allowed to lapse in year nineteen of a twenty-year need.*

IX
Reviewing what you own

An annual look at coverage already in force.

Pull the policy and confirm four things: the **face amount** against today's obligations, the **beneficiaries** against today's family, the **premium and lapse status**, and — on permanent policies — whether the funding still supports the coverage to the age you assumed.

Life changes faster than paperwork. A policy written for a young family often no longer matches a paid-off house and grown children.

> *Bring your current policy to a review. Coverage you already own is often the fastest place to find either a gap or a saving.*

Now size it to your household.

The mechanics are the same for everyone; the number never is. Bring your obligations and whatever coverage you already hold — we will run the needs analysis with you, at no cost.

BOOK A CONSULTATION — AMERICANAFG.COM

Warrenville, IL · 630-389-3014
Las Vegas, NV · 702-867-3177
info@americanafg.com