Life insurance is a binding contract between you and an insurer where you pay premiums in exchange for a lump-sum death benefit paid to beneficiaries upon your death. It provides financial security, helping loved ones cover debts, funeral costs, and daily expenses. Key types include Term (temporary, affordable) and Permanent (lifelong, cash value) insurance.

How Life Insurance Works

- Parties Involved: The insured is the person covered, the policyholder owns the policy, and beneficiaries receive the proceeds.
- Premiums: You make regular payments (premiums) to keep the policy active.
- Death Benefit: A tax-free lump sum paid to beneficiaries if the insured passes away while the policy is active.
- Cost Factors: Costs are determined by age, health, and lifestyle, with younger/healthier individuals paying less.

Key Types of Life Insurance

- *Term Life Insurance*: Covers you for a set period (e.g., 10, 20, or 30 years). It is generally the most affordable option, ideal for covering specific liabilities like a mortgage or until children are grown. If the term expires, coverage ends, though many policies offer renewal or conversion options.
- *Permanent Life Insurance*: Provides lifelong protection, as long as premiums are paid. It includes a "cash value" component that can grow over time, allowing for potential loans or withdrawals.
    - Whole Life: A type of permanent insurance with guaranteed death benefits and fixed premiums.
    - Universal Life: A type of permanent insurance that offers more flexible premiums and death benefits.

Why Life Insurance is Important

- Income Replacement: Ensures beneficiaries can maintain their lifestyle.
- Debt Management: Covers mortgage payments, personal loans, and credit card debt.
- Final Expenses: Covers funeral and medical bills.
- Education Funding: Helps pay for children’s education expenses.

How to Choose

- Term is best for lower-cost coverage during high-need years.
- Permanent is better for long-term needs, estate planning, or to build cash value.