



## Choosing the Right Life Insurance

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Risk can either be transferred, avoided, mitigated or accepted. Life insurance is used to *transfer* the risk of premature death. The insured incurs a known up-front cost (insurance premium) in exchange for the insurer assuming the potential funding of catastrophic risk(s).

It is also a wealth creation tool and can play a significant role in the estate planning process.

There are several variations of life insurance, but generally two primary categories — term life insurance and permanent life insurance. Here are some things to consider in determining which type fits your situation:

- Determine the length of time you might be exposed to a particular risk — for indefinite exposures, consider permanent insurance. Alternatively, as the name suggests, term insurance might solve temporary risks (i.e., the risk of a premature death before saving enough for your child(ren)'s college expenses)

- Determine the amount of life insurance (death benefit) for each need; there might be several needs
- Identify the proper ownership of the life insurance; having three separate individuals named as the 1. Owner of the policy; 2. Individual Insured by the policy; and 3. Beneficiary of the policy should be avoided
- Identify the proper beneficiary of the life insurance

As with most personal finance decisions, life insurance should be considered in relation to your entire financial picture. If you are considering fulfilling your life insurance need(s), we would be happy to start the conversation with you.

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