



# Understanding the Basics of Term Life Insurance

LIFE



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# I already have group insurance with my company. Why should I purchase more insurance?

Since many companies offer group insurance to their employees for free, it's easy to assume having this kind of coverage is enough. Unfortunately, most people who already have some type of insurance are underinsured. And if you only have group insurance, if you ever leave your company, your insurance protection does not go with you.

Make sure you understand how much coverage you actually need by answering the questions on page three and totaling the expenses. If the group insurance you already have does not cover this need, you should consider purchasing an additional life policy.

"Today, insured adults are more likely to have only group life insurance obtained at work. Adults with only group coverage carry the smallest amounts of life insurance."

LIMRA 2007



## Case Study: the story of Harold and Michelle Jones

Harold and Michelle have been married four years and are expecting their second child. Harold was recently promoted to a managerial position allowing Michelle to become a full-time homemaker and save on daycare costs.

Harold has life insurance through his company, but his situation has changed in four years. He is now married, owns a home, has a child and one on the way. With three dependents and more expenses, Harold knew he needed to make some precautionary changes. He totaled the family expenses, including outstanding debt and the mortgage, and found they were underinsured. He knew if something were to happen to him, his wife Michelle would not be able to continue their lifestyle without his income. She would also have to support two children on her own as a single mother and pay the additional expense of daycare costs.

Since they are dependent on one income source, Harold and Michelle need insurance with guaranteed death benefit protection. After meeting with a professional insurance agent, Harold decided to purchase a 30 year term insurance policy. Based on his age and very good health, his premiums were \$70 a month, with a guaranteed death benefit protection of \$1 million. Through his group insurance his death benefit protection would have been \$150,000 - enough for funeral expenses, lawyer fees and some extra cash for Michelle. However, their new term policy death benefit guarantee of \$1 million would provide enough to pay for any funeral/lawyer expense, pay off their home and send their two children to college.

This made Harold feel much more at ease about their situation, knowing his family would be taken care of just in case something were to happen to him. We'll let him explain in his own words:

"Providing and protecting my family has always been my primary goal. I want my children to continue to be able to grow up in their home and eventually go to college. It's my responsibility to make sure they are provided for in case something happens to me or Michelle. Of course, I hope I live a very long time – long enough to see my grandchildren and great grandchildren! But if I don't, at least I know I did everything I could do to make sure they will be ok."

# Let's talk about providing protection for your loved ones.

You don't think about it. No one ever passes away. And it certainly can't happen to you. But then the unexpected happens. The chief breadwinner is gone and the family is left without the financial resources they may need for the future it deserves. It really does happen.

But you can be prepared for the untimely passing of a loved one with one solution that millions have come to rely upon. Life insurance. Yes, good ol' fashioned life insurance. Despite its importance, many Americans are underinsured or not insured at all. In fact, "22% of families with dependent children admit, if their primary wage earner dies, they will have immediate trouble meeting everyday living expenses and another 26% will only be able to cover expenses a few months."\*

In another LIMRA study, 48 million Americans say they need MORE life insurance. Most people have insurance on their cars and homes, but for some reason don't have enough on their lives. Since life insurance can seem complicated and even intimidating, this frustration is probably one of the many reasons Americans tend to hesitate when it comes to making a decision to purchase life insurance.

But the truth is - life insurance can be pretty simple. After reading this brochure, you will be able to determine the following:

- 1) Do you need life insurance?
- 2) How much life insurance do you need?
- 3) Do you understand the benefits and ease of the most basic type of life insurance – Term?

\*LIMRA, September 2007

## Do I really need life insurance?

If any of the following situations apply to you, you need life insurance:

- **Are you married?**
- **Do you have children or are you expecting to?**
- **Do you financially support an elderly parent or have debt and/or a mortgage?**

The loss of a loved one is hard enough emotionally without having it compounded by financial worries from the loss of an income. Life insurance can help your loved ones meet important financial needs beyond funeral costs including daily living expenses, medical bills, mortgage payments and college tuition. The easiest way to approach life insurance is with a basic approach – term life insurance.

## Term Insurance

If any of the three situations above applied to you, term life insurance may be an affordable and effective way to provide adequate financial coverage for your family in the event of an untimely passing of a loved one. You choose a specific period of time (a "term") that would adequately cover your insurance needs (10 years, 20 years or 30 years for example) and the policy will pay a death benefit to your beneficiary if you die during that term. You can also elect to renew your policy. What's more, your beneficiary receives the life insurance proceeds free of federal income tax.<sup>1</sup>

<sup>1</sup> Proceeds from an insurance policy are generally income tax free, and if properly structured, may also be free from estate tax.

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# How much life coverage do I need?

Everyone's situation is different. When determining your own needs – consider this:

Besides the daily living expenses your dependents will need, you also have to take into account funeral costs, lawyer fees, taxes and other miscellaneous debts that may arise due to an untimely passing of a loved one. The average life insurance coverage needed is \$459,000 but the average amount owned is only \$126,000. (LIMRA 2007).

## Outstanding Debt/ Expenses

### 1) How much would it cost to pay off your mortgage and other debts?

\$\_\_\_\_\_ (Mortgage)  
\$\_\_\_\_\_ (Car Payments)  
\$\_\_\_\_\_ (Credit Card Debt)  
\$\_\_\_\_\_ (Outstanding Loans)  
\$\_\_\_\_\_ (Other)  
Sub Total \$\_\_\_\_\_

### 2) How much would your loved ones need in order to afford ongoing and future financial needs like daycare or college costs?

\$\_\_\_\_\_ (Daycare)  
\$\_\_\_\_\_ (Tuition)  
\$\_\_\_\_\_ (Room and Board)  
\$\_\_\_\_\_ (Other)  
Sub Total \$\_\_\_\_\_

## Funeral Expenses

### 3) Funeral

\$\_\_\_\_\_ Funeral/Memorial Expenses  
\$\_\_\_\_\_ Legal Fees  
\$\_\_\_\_\_ Taxes  
Sub Total \$\_\_\_\_\_

## Income

### 4) If you were gone tomorrow, how much money would your family need to replace your income and for how long?

\$\_\_\_\_\_ (Annual Salary)  
How many years? \_\_\_\_\_  
Multiply the number of years with your annual salary:  
Sub Total \$\_\_\_\_\_

## Add up your four subtotals for a total expense:

Total Expenses \$ \_\_\_\_\_

This total should represent how much of a death benefit you will need when you consider purchasing a policy.

“22% of families with dependent children admit, if their primary wage earner passes away, they will have immediate trouble meeting everyday living expenses and another 26% will only be able to cover expenses a few months.” \*

\*LIMRA, September 2007

# More information about term life insurance:

## Is there a difference in the premiums for 10, 15, 20 or 30 year level term?

Typically, the longer the term, the higher the premium, because the older the insured becomes the more expensive it is for the company to insure.

## Does the policyowner receive any cash build up or are premiums returned at the end of the term, if the policy is never claimed?

No, unlike a whole or universal life policy, term insurance is pure insurance protection and does not build cash value. This is why term insurance is typically less expensive than any other kind of insurance. However, there is also another type of term policy that also provides death benefit protection with the ability for a policyowner to get back all of the premiums paid – guaranteed – should he or she outlive the term and premiums were paid as scheduled. Usually the premiums are higher than a basic term policy since you are guaranteed to receive all of the premiums back should you outlive the policy.

## Will my premiums ever go up?

No. Your premiums are fixed for the policy's term and will never increase.

## Take the next step!

At the ING Life Companies we want to live up to our brand promise: Your future. Made easier.<sup>SM</sup> To that end, we hope you will take the next step, meet with your professional insurance agent, review your future financial needs and purchase valuable life insurance death benefit protection. Because even though we don't like to think about the unexpected, it can happen. And like Harold Jones and so many others, you know the importance of protecting your family's future. Let your financial advisor show you how life insurance can lead the way. Start today.

### \*About LIMRA International

LIMRA International is a worldwide association providing research, consulting, and other services to nearly 850 insurance and financial services companies in more than 60 countries.

ING TermSmart and ING TermSmart\*NY, policy form series 1177R and 1177R-NY (varies by state and may not be available in all states), is issued by ReliaStar Life Insurance Company (Minneapolis, MN) and ReliaStar Life Insurance Company of New York (Woodbury, NY). Only ReliaStar Life Insurance Company of New York is admitted, and its products issued, within the state of New York. Both are members of the ING family of companies.

ING ROP Term consists of a base term policy, policy form 1309 11/06, and a ROP Rider (Cash Value Rider in PA), form R1347 11/06. The base policy cannot be issued without this rider. Form numbers and availability vary by state. ING ROP Term is issued by ReliaStar Life Insurance Company, a member of the ING family of companies. Guarantees are based on the financial strength and claims-paying ability of ReliaStar Life Insurance Company who is solely responsible for obligations under its own policies. Neither ING nor its affiliated companies offer legal or tax advice. Your clients should consult with their tax and legal advisors regarding their individual situation.

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