

Life insurance:

Ensure protection for your loved ones

Life is full of the unexpected so you should prepare for the unknown. Purchasing life insurance is one way to make sure that your loved ones are financially supported if you pass away. While you are considering life insurance, it may be helpful to review these frequently asked questions.

What is life insurance?

Life insurance is a contract between you and an insurance company. In exchange for premium payments, the insurance company will pay a lump sum called a death benefit to your beneficiaries after your death.

What are the different types of life insurance?

Permanent life insurance is a policy designed to last for the policyholder's entire life and never expires as long the premiums are kept in good standing order. It accumulates cash value on a tax-deferred basis; as a result, the initial premiums are higher than for a term life insurance policy with the same amount of coverage.

Term life insurance is a policy that provides protection for a specific period of time, or term, usually 10, 20 or 30 years. If the policyholder dies during this period, a cash benefit will be paid out to the beneficiaries designated on the account. It's less expensive than a permanent whole life policy.

How much life insurance coverage do I need?

First, add up the immediate and future expenses your family would face upon your death, including rent/mortgage, college tuition and funeral costs. Then, look at the financial resources your family already has, such as a spouse or partner's income or life insurance policy. Subtract your financial resources from the anticipated expenses. The difference between the two numbers is the approximately the amount of life insurance to consider.

Use our [life insurance planning calculator](#) to determine a more accurate picture of how much you will need.



What You Need to Know²

- A life insurance policy usually pays a lump sum to the designated beneficiaries on file after your death.
- Permanent life insurance is designed to last for the policyholder's entire life and never expires as long the premiums are adhered to.
- Term life insurance is a policy that provides protection for a specific period, or term, usually 10, 20 or 30 years.
- Consider insurance providers that are reputable and financially stable, but keep in mind that there could be major premium differences between these providers.

How much will I pay for life insurance?

The cost of life insurance will vary depending on your age, gender, lifestyle, medical status and what type of insurance you choose. Many insurance policies will require medical examination. Life insurance policies are available for individuals of any age and those who may have medical issues (like diabetes or high blood pressure). You may be declined for a policy or you may pay a higher premium if you have a medical issue since you are considered a greater risk. Each insurance company calculates health factors and risks differently. One may offer a life insurance policy and one may decline you coverage.

To give you an idea of how much life insurance may cost, the average cost of life insurance in December 2022 is \$26 a month for a 40-year-old buying a 20-year, \$500,000 term life policy.¹ Additionally, life insurance policy rates are also dependent upon policy type and additional riders.

While shopping for life insurance, you may want to check with your employer first. Some employers offer a certain amount of life insurance as an employee benefit and/or term life insurance at a discounted rate. Note that the discounted rate through your employer may only be available while you're employed with your company.

Who can be a life insurance beneficiary?

There are two types of beneficiaries: primary and contingent. The primary beneficiaries will receive the payout upon your death and the contingent beneficiaries receives the payout if the primary beneficiary is deceased. You can name more than one primary and contingent beneficiary, as well as the percentage of the payout you want to go to each one.

As your life changes, it's always good to review your beneficiary periodically.

How do I obtain life insurance?

You can choose to work with a licensed insurance agent or purchase your policy online. Remember to do your homework and get quotes from financially sound life insurance companies. There could be premium differences between major insurance companies.

Once you choose a provider, your application goes through an evaluation process called underwriting. There are two types of underwriting. Traditional underwriting requires you to fill out a formal application and potentially have a medical exam. Simplified underwriting is usually a quick online life insurance application that does not require a medical exam.

How does the life insurance provider pay out my policy?

After the policyholder has an official death certificate, the life insurance provider will pay a lump sum to the beneficiaries on file. The beneficiaries will have to file a claim with the insurer by providing a certified copy of the policyholder's death certificate. Most insurers take between 30 and 60 days to make the payout.

1 Iversai, Kathy (2024, May 1 Average Life Insurance Rates for May 2024. Nerd Wallet. <https://www.nerdwallet.com/article/insurance/average-life-insurance-rates>

2 All policies require thorough review and understanding the risk since they are an investment option. Some contracts have more risk than others

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Buying life insurance is an important step in your financial wellness journey. Be sure to do your homework and find the policy that meets your needs. It will provide you with the security and reassurance that your family will be financially secure when you pass away.



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