

# Life Insurance Buyer's Guide



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# Why life insurance?

**As an adult, you have to make a lot of financial decisions.** Buying a home, setting up a retirement plan, cutting down on your tax liabilities, and of course, buying life insurance. But compared to everything else, buying life insurance is ultimately one of the easier things to do.

While lots of people avoid shopping for life insurance because they think it's too complicated, buying a house is a far more painful and elaborate process with a lot more moving parts. You can compare it to retirement planning, too — that requires some high-level strategic thinking and educated guesswork (not to mention financial discipline to stick to the plan).

Buying life insurance is about as tedious as applying for a personal loan at your bank or credit union — lots of paperwork and a lot of waiting around, but ultimately, pretty easy.

*The PolicyGenius Team*

# What type of life insurance should I buy?

**The number one question shoppers have about life insurance is “What kind do I buy?”** For most people, that question comes down to two types: term life insurance and whole life insurance.

The big difference that most people know is that term life insurance ends after a specific period of time, while whole life insurance lasts for your entire life. While many shoppers consider this to be a “feature” or added bonus to whole life, it’s actually a byproduct of a major structural difference between term and whole life insurance products.

Term life insurance is often referred to as “pure” life insurance. It’s the type of life insurance that most people think about when they imagine how a life insurance policy works. You pay a monthly premium — typically about one fourth the cost of whole life premiums — in exchange for the promise that your life insurer will pay out a pre-set death benefit (also known as your “coverage” or “face amount”) to your survivors (also known as “beneficiaries”). That’s pretty much it. If you’ve bought other insurance products like auto insurance or homeowners insurance, it’s basically the structured the same way.

Whole life insurance has a coverage amount and beneficiaries, but it also has a savings component called the “cash value.” This savings component completely changes how whole life insurance works and is the reason whole life insurance can last your entire life. Despite being called the cash value, it doesn’t actually have cash in it like a savings account might. The cash value is actually a component of your death benefit. As the cash value grows, the coverage provided by your term life insurance policy gets smaller. Eventually, your cash value will cover the entirety of your death benefit, and your whole life insurance policy will no longer have a term component. And while the idea is that this savings component is supposed to grow, it doesn’t always work out that way.

While it’s hard to generalize whole life insurance policies — there are about fifty variations of the product — all of them have some form of guaranteed

annual growth, called the “growth rate.” Your growth rate can start relatively high, but be wary of your policy’s “guaranteed minimum.” The guaranteed minimum is the smallest amount of growth that your cash value can achieve, and it’s usually much, much smaller than the growth rate that you start with.

Also be on the watch for a whole life insurance policy’s guaranteed maximum fees. This is the maximum amount that a life insurance company can charge you in fees. In most cases, the maximum fee is higher than the guaranteed minimum, which can lead to a [doomsday scenario](#) where all of your growth is eaten up by fees.

## Takeaway

Term life insurance is an uncomplicated product that, in the event that you die prematurely, provides a financial safety net for your family and gives them the funds for things like like retirement and college tuition. **It’s the best product for 80 to 90% of Americans.** Whole life insurance, on the other hand, is a complicated product that’s better suited for complicated financial plans.

	Term	Whole
What is it?	“Pure” life insurance	Life insurance plus savings
Price	~ \$20 – \$30 per month	At least 4x term life
Fine print	Very little	Quite a lot
Best fit for	Protecting family and investments	Complex financial plans
Conclusion	Term > 80 – 90%	Whole > 10 – 20%

Next Up **How much life insurance should I buy?**

# How much life insurance should I buy?

Calculating how much life insurance you need to purchase is a relatively straightforward process. We built [our own calculator](#) to help you figure it out, but you can also use any calculator with an addition symbol.

Remember that term life insurance is designed to act as emergency protection for your family, to help them deal with debts and replace lost income. Most people start with enough coverage to pay off their major debts:

- Mortgage
- Student loans
- Credit card debt
- Etc.

Basically, anything that is either co-signed by another person (mortgages, private student loans) or would eat into your estate if you died.

Next, start thinking about the income that your family would be missing out on if you died prematurely. How much money would never make it into the retirement accounts, college funds, and day-to-day budgets? How much you want to put into this category is totally up to you, and may change depending on how much you can afford.

Here are some of the things you may want to get coverage for:

- Complete college fund for every child ([remember to adjust for increasing college costs](#))
- Complete retirement fund for spouse
- Lost income (for either one to two years or longer)

While it's important to make sure you're not *underinsured*, there is such a thing as being *overinsured*, too. Being overinsured means you're paying too much every month for coverage you don't really need. If you're having trouble coming up with a good coverage amount, ask around. Your spouse, family, or friends may be able to help. You may also want to talk to your financial advisor, if you have one, or your independent life insurance agent. There are

## Insider Tip

Debts that belong to you and nobody else don't just disappear when you die. Instead, they become the responsibility of your estate. If you're relying on your estate to take care of your family, these personal debts can eat into your estate funds and leave your family with less than you planned.

also good life insurance coverage calculators online, but make sure the one you use is thorough and asks detailed questions about your assets, future financial goals, family situation and current debts.

# How long should my term life insurance last?

**Your life insurance should cover your longest financial obligation.** For most people, this means a mortgage; for others, it may mean until your children graduate college. Most term life insurance companies provide terms in five year increments — i.e., 10 year term, 15 year term, and so on, up until 30 years.

Your financial obligation probably doesn't fit exactly into one of those term lengths, so your best bet is to round up. If your mortgage lasts for another 22 years, for example, pick a 25 year term.

What happens if you buy a policy with a term that's too short? Well, you either have two options: you let the policy expire and leave yourself open to a coverage gap, or you try to purchase another life insurance policy. With the latter, you're basically forcing Future You to buy another policy in twenty years at much higher rates, which doesn't make a lot of sense.

## Insider Tip

If your financial obligation ends before your term life insurance policy expires, you can cancel your term life insurance policy—no need to pay for extra years of coverage you don't need.

# How do I compare life insurance quotes?

**There are a lot of ways to get life insurance quotes.** Most people start with an agent — maybe someone they bought home insurance or car insurance from — and then move on to the internet for a second opinion. Online, there are multiple life insurance quote comparison tools, [including our own life insurance quote engine here at PolicyGenius](#).

Here's advice that seems contradictory about which life insurance quotes to trust:

1. It shouldn't matter where you get your quotes
2. Not all quotes are accurate

While those two pieces of advice may not add up on the surface, they actually make total sense. Let's dive into both of those further.

## It shouldn't matter where you get your quotes because life insurance prices are regulated

All life insurance prices are regulated by state governments. How? Every life insurance company builds out giant rate tables (think of the worst, most complicated Excel spreadsheet you've ever seen) that show how they price life insurance policies based on specific health conditions and lifestyle risks. They generally do this annually, but changes are relatively minor — there's no point in trying to wait a year to see if they make a radical change to their pricing tables that benefits you in some way.

That means that no matter whoever calculates your quotes — an agent, an online quoting engine, a fortune teller at the county fair — will come up with the exact same quotes for you (for a given insurer and the same coverage and term) because legally they have to use that insurer's filed rate tables.



## But that doesn't always happen

Some life insurance quoting engines may try to mislead you by giving you inaccurate quotes. How does this happen? Instead of asking detailed health questions to accurately place you on those rate tables we mentioned above, these sites ask you to identify [your own underwriting rate class](#) by evaluating your own health.

Let's be clear right now: you can't identify your own underwriting rate class (also called a [life insurance classification](#)) unless you happen to be an underwriter, and if you're underwriter you're probably not reading this article. Even if you have a general idea of how healthy you are or even a detailed medical record in front of you, you can't calculate the exact underwriting rate class you'll get from any given life insurance company.

Why? Because you need those aforementioned rate tables. Those rate tables lay down some pretty specific rules for each health condition and lifestyle risk, and each life insurance company has their own set of rules. What's more, life insurance companies are very conservative and have a different perspective about health and lifestyle than you or your doctor do. That's because they're looking at risk over a long horizon – up to 20 or 30 years – and have to make precise pricing adjustments even for small risks.

Without a comprehensive health questionnaire upfront, it's impossible for an agent or quoting engine to give you an accurate quote across insurance companies. Even if you happen to correctly guess your underwriting class, why take the chance of getting it wrong?

# How do I compare quotes from different sources?

One easy way to compare life insurance is to choose a [life insurance comparison site](#) and use it exclusively to get and compare quotes. While some people are fine with this — they find a site they trust and stick with it — most people like to get quotes from a variety of sources.

Unfortunately, because every site and agent gets their quotes a little differently, it can be hard to compare quotes from multiple sites. You not only have to track the final quote you receive, but the quality of that quote.

The most important details you need to track about your quotes are:

1. **Name of the insurer:** Each insurance company has a different rate table, but their quotes should be consistent across sources (assuming you're placed in the same underwriting class).
2. **Where you got the quote:** For example, a life insurance quote comparison site like PolicyGenius, SelectQuote, or AccuQuote, or your friendly neighborhood life insurance agent. This helps you keep track of where you got the best life insurance quotes so you can come back to them later. It also helps you judge which source is the most accurate.
3. **The underwriting class quoted:** As we mentioned above, your [underwriting class](#) directly affects your final quote. If a quoting engine doesn't place you in the correct underwriting class, your quote will not match the final offer from the life insurance company after they review your application.
4. **The requested coverage amount and term:** These also directly affect your final quote. If you just track the final quotes and don't put in how much coverage or the term length that you requested, you'll end up comparing apples and oranges.
5. **Your monthly quote:** The number everyone cares about.

PolicyGenius tells all of our customers what we estimate their underwriting class to be when we give them their quotes. Not all life insurance quoting engines do this, and some may try to get you to apply before they tell you the underwriting class. Don't be afraid to be assertive and get your estimated

underwriting class *before* you apply so you can be sure that you're comparing quotes in an apples-to-apples format.

Click details to see  
Underwriting Class

**\$29/month** + Details

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Ratings  
**A+** A.M Best  
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**\$600,000 30 Years**

**Underwriting Class**  
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Coverage  
**OPTerm 30**

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Once you pick the life insurance policy that works best for you, you can apply through the source where you got the quote or literally anywhere — as we mentioned before, your life insurance policy from a given life insurance company will cost the same no matter who you go through to get it. Your best bet is to go through the company you think will give you the best customer experience with the least amount of surprises.

# The life insurance application process

There are usually seven steps you need to take during the life insurance buying process.

1. Get your quotes
2. Pick a policy
3. Fill out the application
4. Get your free medical exam
5. Have a phone interview
6. Wait for approval & final rates
7. Sign the policy

This process [can take awhile](#) — depending on your medical profile, anywhere from a few weeks to a few months. Your agent should walk you through this entire process, keeping you updated on what the insurer and underwriters are doing and thinking, and letting you know when action is needed on your part. During most of this process, however, you'll just be waiting. Waiting for a doctor to sign a form, waiting for the date of your medical exam, waiting for the life insurance company to review paperwork.

How long you'll wait between each step can vary depending on your individual case, but generally expect to wait about a week between each major step. Anything that involves scheduling — such as the medical exam and phone interview — can also take longer depending on when you and the underwriter or doctor is available.

Let's take a brief walk through what you'll be doing during the application process.

## Filling out the application

Be prepared to answer lots of health questions and have documentation about your income, like your latest tax return, ready to reference. You'll be asked to sign authorization forms that allow your health information to be shared with the life insurance company and their underwriting partners.

## Checklist

- Filling out the application
- Get your free medical exam
- Have your phone interview
- Wait for approval & final rates
- Sign the policy
- Review your coverage regularly

## Get your free medical exam

Your free life insurance medical exam takes about half an hour, fits into your schedule, and can take place in your home or office. It's designed to be [as convenient as possible](#) for you. Getting a medical exam does not commit you to buying the policy, however, your results will become available for other life insurance companies to reference should you choose to cancel the application. That means that if you decide to shop with another carrier, you don't have to take a second medical exam.

## Have your phone interview

This phone conversation is basically an awkward blind date without the benefit of a fancy dinner. Your interviewer, usually a licensed rep or nurse of the life insurer, will ask you some basic questions about your lifestyle and your health history. The life insurance company will usually provide a list of questions in advance so you aren't surprised. A few tips: plan about twenty minutes for the phone conversation and have the name, address, and phone number of your primary physician and any other doctors you've seen in the past few years ready to go.

## Wait for approval & final rates

Live life normally while you wait. Alternatively: sit by the clock and watch every minute tick by.

It's during this waiting, however, that **the most important part of the application period** actually takes place: your life insurance company decides your final premiums.

## Sign the policy

Your life insurance company will send you your policy either in the mail or by email. You'll be expected to sign all of your papers and authorize your

### Insider Tip

#### Don't get caught in a bait and switch

If the source of your life insurance quote didn't ask the right medical questions before you applied, you might get a very different health classification after the medical exam and phone interview. That means your final rates will be very different than what you expected.

For reference, 85% of PolicyGenius customers get final rates within \$5 of their original quotes — a level of accuracy that's unprecedented for an online insurance comparison tool.

payment method. The second you sign the policy and pay the first premium, it's in force, and that's it. You can pat yourself on the back.

## Review your coverage regularly

The coverage you have now may not always be enough. You may get a larger mortgage in the future or have a few more kids. Review your coverage regularly — either every year or at major life events like the birth of a child or buying a new house — to make sure you have enough.

Additionally, [make sure you keep your life insurance policy safe](#). Keep a copy with your lawyer or in a safe deposit box. Make sure your beneficiaries know the policy exists, or, if you don't want them to know, make sure that a neutral third-party (such as your lawyer) is aware of the policy's existence.

# There you go!

**For most of us, the hardest part of buying life insurance is just getting started.**

Hopefully, this guide has helped demystify the process. Remember, if you have any questions, you can chat with us here at PolicyGenius — we'll answer any question you have during the shopping process and beyond.

*The PolicyGenius Team*