



A Guide to **LIFE** **INSURANCE** When You're Young

How it can play a critical role in
your long-term financial plan.



nea *Members*
Insurance Trust



As an education professional, you likely spend much of your time thinking about how you can help students. It's that focus on their future that makes your job so essential. **But it's important to take time to think about your own future and your financial obligations.** You might be planning to get married or start a family, or you may already have people who depend on you. **Whether you realize it or not, life insurance plays an important role in helping to protect those closest to you.** Let us explain some of the basics, debunk a few life insurance myths and help you make more informed decisions.

The purpose of life insurance is to provide benefits to your loved ones.

The proceeds from a life insurance policy can be used to cover funeral costs, settle outstanding debts you owe and help your family meet living expenses. This insurance coverage can help your family to pursue the financial and life goals you've set together, even if you're not around. Even if you don't have children, the proceeds of a life insurance policy can help support or assist your spouse or other family members after your death.

You may think you don't need coverage or that the cost of life insurance doesn't fit your budget. But even in your 20s and 30s, life insurance can be a critical—and relatively inexpensive—part of your long-term financial plans. You likely already receive some life insurance through your school district, and you

may want to consider supplementing that insurance or changing the terms of your current policy to make sure it meets your needs.

“Do I need **additional insurance?**”

NEA members typically receive between one and two times their annual salary in coverage. The problem: Financial experts recommend carrying much more coverage—at least five times your annual salary and up to eight times or more. That discrepancy in coverage means that NEA members, like most Americans, may be underinsured.¹

NEA Members Insurance Trust (MIT) plans provide supplementary insurance designed to close the gap between the coverage your district provides and what you and your family actually need.

1. LIMRA Life Insurance Awareness Month, Life Insurance and Market Research Association, September 2015.

2. 7 Myths About Life Insurance, *Forbes*, June 2014.

Common life insurance myths **DEBUNKED**

Myth: You need life insurance only if you're the family's highest earner.

Fact: Even if you're not the family's breadwinner, you still earn valuable income or provide important services to the household. For instance, the tasks performed by a stay-at-home parent would still need to be performed, perhaps by hiring outside help. Life insurance can help pay for that need.

Myth: It's better to invest your money than buy life insurance.

Fact: Because markets fluctuate, it can be risky to rely solely on your investments as a financial safety net for your family.

Myth: If your district provides life insurance, you don't need more coverage.

Fact: The insurance you receive from your district may not provide an appropriate level of coverage. Experts recommend coverage equal to five to eight times or more than your annual salary.²



A career, first home, family: **Young adulthood brings plenty of new and exciting experiences—and new responsibilities.** Life insurance is one way to help manage those obligations and protect the people closest to you.

4 Reasons

You Might Consider Life Insurance

1 You're married or getting married.

Many couples rely on two incomes to pay bills and cover their living expenses. The loss of one income could put significant financial strain on a surviving spouse to maintain his or her standard of living and meet basic financial needs.

2 You have outstanding debt.

Life insurance can be important even if you don't have children. Without life insurance, the responsibility for any student loans, credit card debt, car payments or mortgages in your name may fall to your parents or your spouse.

3 You have or are expecting children.

If you're thinking about starting a family or already have children, insurance is an important way to help safeguard their futures. Life insurance helps a widowed parent provide for both immediate needs—like their children's daily expenses—and long-term goals such as college tuition. For single parents whose children rely on them for everything, life insurance is a necessity.

4 You're young and healthy.

Rates for life insurance are usually the least expensive at this time in your life. Even if money is tight, you might still have room in your budget for a policy. If you're an NEA member under age 40, you may be eligible to get \$150,000 coverage for less than \$7 a month.



Common life insurance myths **DEBUNKED**

Myth: You don't need life insurance if you don't have children.

Fact: Having coverage will help protect your legacy by helping to ensure you don't leave a financial burden for your spouse or parents.

Myth: Life insurance is expensive.

Fact: Insurance policies come with a variety of price tags, and you're likely to find appropriate coverage that fits your budget. When shopping for policies, consider your coverage needs, compare quotes and remember that the buying power of large groups such as the NEA can help reduce the cost of coverage.

Myth: I don't need life insurance because I'm young and healthy.

Fact: As you get older and develop more health issues, the cost of life insurance can rise dramatically, the application process can be more extensive, and you might not even pass the underwriting criteria. You often can lock in the best long-term rates now.



“How much coverage do I need?”

Life insurance helps replace the income you contribute to your family's financial picture. Comparing your family's assets to your potential financial obligations can help you estimate an appropriate level of coverage for your situation. Before choosing a policy, it's a good idea to speak with an insurance professional to get a comprehensive assessment of your needs.

- 1 Start by calculating what your family members would need to meet immediate, ongoing and future financial obligations while maintaining their current standard of living. **Include the following:**
 - **Immediate expenses:** funeral costs, medical bills, credit card debt.
 - **Ongoing expenses:** food, housing, transportation, utilities, health care.
 - **Future expenses:** college education for your children, retirement for your spouse.

- 2 Next, subtract the sum of the financial resources available to your family members, including **additional income sources, investment accounts and accumulated savings**. The resulting number may provide a baseline figure for insurance coverage.



Visit neamb.com/coverage for additional resources



“What **types of life insurance** should I consider?”

Much like the amount of coverage you need, the type of life insurance you choose depends upon your individual circumstances, needs and goals. The good news: In your 20s and 30s, you don't need to consider every type of insurance product. For instance, you may want coverage against accidents or a flexible policy that lets you change your coverage options as your situation changes. As an NEA member, here are some plans, NEA Accidental Death & Dismemberment, NEA Group Term Life and NEA Level Premium Term Life, **issued by The Prudential Insurance Company of America (Prudential)**, that might be appropriate for you:

STARTER INSURANCE

NEA Accidental Death and Dismemberment

- Up to \$1 million in coverage in case of an accident
- Rates starting at \$19 per year
- Coverage available for spouse and children at no extra cost
- \$50,000 in no-cost additional coverage after five years
- Guaranteed coverage (no health exam required) and a variety of plans with different benefits available

FLEXIBLE COVERAGE

NEA Group Term Life

- Flexible coverage levels from \$25,000 to \$500,000
- Discounted group rates, based on the buying power of over 3 million NEA members
- Available to members, spouses and children
- Policy is renewable annually so there's no long-term commitment and you can increase or decrease coverage whenever you wish
- Benefits remain level until age 70

LONG-TERM COVERAGE

NEA Level Premium Term Life

- Up to \$1 million in term life coverage
- Member-only rates that are locked in and do not increase through the length of the term
- Available to members and their spouses
- Choose from 10-, 15-, and 20-year term lengths
- Benefits remain level until age 80

For more information on products available exclusively to NEA Members, visit neamb.com/life

DID YOU KNOW?

Don't let yourself become a statistic. Get better informed about life insurance.



Almost 9 in 10 Millennials overestimate the cost of life insurance.



Half of Americans would feel the financial impact from the loss of their primary wage earner **within 6 months.**

Financial experts recommend:

5-8
times your annual salary or more.

Average coverage for U.S. households with life insurance: **3.5** times annual salary

The typical amount of life insurance received through school districts:

1-2 times annual salary



7 in 10

U.S. households own life insurance.

Half of U.S. households say they **need more life insurance.**



65% of Americans think they can't afford more life insurance.

2X **People tend to overestimate the cost:**
On average people think insurance costs twice what it does.

Sources:

LIMRA Life Insurance Awareness Month, Life Insurance and Market Research Association, September 2015; "The Facts of Life and Annuities," Life Insurance and Market Research Association, 2015. 7 Myths About Life Insurance, *Forbes*, June 2014. LIMRA Report: The Facts of Life and Annuities, 2016 Update.

For more information, visit neamb.com/life
or call **1-855-NEA-LIFE (632-5433)**



NEA Members Insurance Trust is a registered trademark of the NEA Members Insurance Trust.

NY Residents: This policy provides ACCIDENT insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York Department of Financial Services.

IMPORTANT NOTICE: THIS POLICY DOES NOT PROVIDE COVERAGE FOR SICKNESS

NEA Accidental Death and Dismemberment coverage, NEA Group Term Life coverage and NEA Level Premium Term Life coverage are issued by The Prudential Insurance Company of America, Newark, NJ. Please refer to the Booklet-Certificate, which is made a part of the Group Contract, for all plan details, including any exclusions, limitations and restrictions which may apply. If there is a discrepancy between this document and the Booklet-Certificate/Group Contract issued by Prudential, the terms of the Group Contract will govern. Contract Series: 83500.