

Why Life Insurance Matters for New Homeowners

It addresses a significant financial risk.

If you buy a home and you have no life insurance, there is a financial risk.

It may not be immediately evident, but it must be acknowledged — and it should be addressed.

What if you die, and your spouse or partner is left to pay off the mortgage alone?

This possibility may seem remote, and it may be hard for you to contemplate. It deserves consideration regardless.

Imagine your loved one having to handle that 15-year or 30-year debt by themselves. (Or the debt on an adjustable-rate loan or jumbo mortgage.) Additionally, how would that heavy financial burden come to impact your children's lives? These tragedies do occur and do bring these kinds of emotional and financial challenges. A life insurance payout may provide some help for a homeowner in the event of such a crisis.

When you buy life insurance, the coverage amount should reflect your mortgage debt.

You will need enough coverage to help your spouse, partner, or heirs deal with the outstanding home loan balance should you pass away prematurely.^{1,2}

Term life insurance may meet the need.

If you are the typical homeowner, you will stay in your current home for about 10 years. (Back in 2006, the average homeowner tenure was just six years.) As you may move up, move to another region with different home values, or even rent in the future, a term policy that lets you renew or modify coverage could suffice.¹

On the other hand, permanent life insurance may be more suitable.

The reality is that inflation decreases the value of term life coverage over time. Suppose you buy a 20-year term policy offering \$250,000 of coverage today. At just 4 percent annual inflation, that coverage will be worth 56 percent less in 2038 — and your home may be worth much more in 2038 than it is now.²

Moreover, the cost of term life insurance rises as you age. A term-life policy is cheap when you are young, but if you want a new one after your initial term policy sunsets, you may find the premiums dramatically more expensive. In contrast, premiums on a permanent (whole) life policy are locked in, effectively becoming more manageable as time goes by. You may want permanent life for other financial reasons as well, reasons that have nothing to do with your home. A permanent life policy has the potential to accumulate cash value in the future; a term life policy does not.²

A homeowner should carefully consider life insurance coverage options.

If you lack coverage today, talk to a qualified insurance professional about your options, so that you can insure yourself for tomorrow.

[Contact us](#) for help in insurance planning.

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Citations.

1 - themortgagereports.com/26307/homebuyer-tenure-how-long-are-people-staying-in-their-houses [3/17/17]

2 - entrepreneur.com/article/310731 [3/22/18]