

Life insurance starter guide for Gen Z and Millennials

6 scenarios to make smart insurance choices

As a Gen Z or Millennial, you may think you're too young to think about life insurance, but actually your need for coverage may be higher now than when you're older. You're just starting out and likely haven't had time to amass significant assets that might offset a sudden loss of income. You may or may not have a young and growing family that depends on your paycheck for living expenses now and for college later. You're not likely to pass away for decades, but longevity is never for certain.

Buying life insurance when you're young can give you peace of mind about providing for your family while also building long-term financial security. And it will never be more affordable to buy a policy than it is right now. You can lock in coverage at your current age for decades or even the rest of your life.

Life insurance basics

There are two main types of life insurance. Understanding the difference can help you choose the policy that will best fit your needs.

Whole life insurance offers lifelong coverage and has a cash value component. That means part of your premium goes toward insurance, in this case, a death benefit for your loved ones if you pass away, and part goes toward growing cash value in the policy. The cash value component grows tax deferred, and you can even borrow against it.¹

Term life insurance offers coverage for a specific period (10, 20, or 30 years) and pays out a death benefit if you pass away during the term. There's no cash value element, so it is usually more affordable. Think of it as pure protection.

Whole life vs. term life: 6 common scenarios for younger investors

Life insurance can be a vital part of your financial strategy even early on in adulthood. Here are six scenarios where term and/or whole life insurance can help Millennials and Gen Z individuals achieve their financial goals.

1. **Early career hustlers:** Money can be tight when you're just starting your career, but you're also at an age when family responsibilities grow. Term life now can be a smart, budget-friendly move. It can provide the coverage you need at a lower premium, freeing up cash for other essentials. On the other hand, if it fits your budget, a pricier whole life

¹ You can access the cash value in your policy, generally tax free, via partial surrenders and policy loans. Policy loans and surrenders reduce the policy's available cash surrender value and death benefit. Loans also accrue interest.

policy might make sense, as you'll have many years to build the cash value component tax deferred.

2. **Student loan warriors:** Got student loans? Term life insurance can ensure your debts don't become a burden to your family if something happens to you. You can buy a policy that will pay off the balance on your loans in the event you die or become disabled. Then, if you like, you can reassess the need for the policy after the loans are paid off. There may be an option on the policy to convert or upgrade it to a permanent policy like whole life.²
3. **Future family planners:** Whether you've just moved in with a partner, become married recently, or learned a little one was on the way, your family responsibilities may be growing. Depending on your needs and situation, either term or whole life may be right for you. Term life is typically more affordable, and it can cover you during those crucial years when your kids are most dependent. Whole life, however, offers lifelong coverage³ and a growing cash value that could come in handy for future expenses.
4. **Retirement savers:** If a 401(k) is your sole retirement plan, whole life insurance could add diversity to your financial portfolio. Its cash value grows over time, offering an additional resource for retirement. Just as important, that growth is usually predictable and consistent since it's not tied to the ups and downs of the market, so it can be a lower-risk complement to your 401(k) portfolio. Whole life insurance premiums are paid for with after-tax dollars, meaning the cash value grows tax deferred and withdrawals and loans are tax free¹. This can be very beneficial to your retirement income because you can use the cash value from your whole life policy to offset taxes paid on your 401(k) distributions. In contrast, term life can be an effective way to ensure financial protection during your working years. And, if the worst happens and you pass away prematurely, your spouse won't have to drain their own retirement accounts to pay for living expenses.
5. **Cash value when you need it:** Purchasing a whole life policy when you're young gives you time for cash value accumulation. That cash can be used at any time in your life for anything you need.¹ Thinking about going back to school? Use the cash value to pay for tuition. Thinking of starting a business or looking to expand an existing business? Use the cash value to achieve your goals as a business owner. You don't have to ask for approval from a bank because the money is yours, growing in your whole life policy.
6. **Investing newbies:** Not a stock market guru? No problem. Whole life insurance offers a straightforward, growth-oriented cash value component without the need to dive into complex investments. Term life keeps it simple with just the insurance coverage.
7. **Aspiring homeowners:** If you're saving up for a home, term life insurance won't strain your budget. Plus, when you buy a term policy that covers the outstanding amount on your mortgage, you'll know your family won't lose the house even if you pass away

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² Guidelines for term conversions, such as timing, may apply.

³ As long as all premiums are paid,

unexpectedly. Whole life insurance, meanwhile, could potentially serve as a future financial resource thanks to its cash value accumulation.

The sooner you start, the more secure you'll be

You might not think you need to worry about life insurance yet, but your 20s, 30s, and 40s are actually the best time in life to purchase affordable coverage. It's more affordable now than it will be when you are older, and you can lock in these lower rates for many years, even the rest of your life.

While you're statistically unlikely to need life insurance any time soon, preparing now can help give you and your loved ones peace of mind. Talk to your financial professional about your life insurance needs and what kind of policy best fits your situation. They can help you select coverage within your budget offering the protection you need. Don't put it off. The sooner you start, the more secure you and your family will be.

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