

Why you need life insurance — even with no dependents.

Key Message: Even if you don't have children, there may be reasons to buy life insurance.

Audience:
Young adults.

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You may think you don't need to worry about life insurance until, or if, you have children. After all, there's no one who relies on you to feed, clothe, and educate them. Remaining uninsured, however, could prove to be a big financial mistake, even without dependents. Here's why.

Life insurance can shield your surviving loved ones from financial hardships they may face if you pass away unexpectedly.¹ This could apply to anyone who relies on your ability to provide for them financially, including aging parents or a spouse who doesn't work outside the home.

Even if your spouse has a full- or part-time job, consider what would happen if the income you bring in was permanently lost. Would your spouse be able to handle all living expenses — including large bills like mortgage payments? Would he or she be able to continue paying off any debts you share?

Many partners would not be able to cover the expenses of their current lifestyles without two incomes. So considering life insurance to protect each other is a critical financial planning step.

If you decide to look into life insurance, you will have to decide how much you and your spouse need to protect each other.

There are several ways to determine how much coverage you will need. One method is to multiply your salary by five or 10.² This may make the most sense, however, when you have minor dependents who will need financial help to see them through college and early adulthood.

If you and your partner simply want to protect each other, you may need coverage that will cover only one to two years of expenses.

Perhaps the most accurate way to measure how much you will require is to consider the amount your surviving spouse would need to handle his or her actual financial needs, whether it's paying off the mortgage, satisfying debts, or providing care to aging parents.

Life insurance can provide you with peace of mind and the knowledge that your surviving loved ones won't face serious financial hardship after you're gone.

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Sources:

¹ Elizabeth Rivelli, "Life insurance rates by age," Bankrate, February 17, 2021. <https://www.bankrate.com/insurance/life-insurance/rates-by-age/>

² Georgia Rose, "How Much Life Insurance Do I Need?" NerdWallet, August 19, 2021. <https://www.nerdwallet.com/article/insurance/how-much-life-insurance-do-i-need>

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