



WEALTH PLANNING BASICS

Life Insurance Basics

Life insurance can help financially protect your loved ones when you die. This type of policy ensures a payout will go to the person you name (your *beneficiary*) when you're gone. The payout is generally tax-free.

Your beneficiary can then use your life insurance payout to cover any debts that you have left behind, like mortgages, car loans, or credit card debt. Life insurance payouts can also pay for final expenses and estate taxes or can serve as an inheritance for the beneficiary.

What Else Can Life Insurance Do?

Life insurance can provide benefits while you're living, as well. First, it offers the peace of mind that comes from knowing your loved ones will be cared for. Also, some life insurance policies come with a cash value that you can withdraw or borrow. You can also use the cash value of the policy as collateral to apply for loans or supplement your retirement income.

There are also policies that pay out before your death if you become incapacitated or terminally ill.

Who Should You Name as a Beneficiary?

Your primary beneficiary is the person (or a corporation or legal entity) who receives the proceeds of your insurance policy. You can also name a contingent beneficiary to receive the proceeds if your primary beneficiary dies with or before you. For instance, if your primary beneficiary is your spouse, and you die together, you will need a contingent beneficiary listed on the policy. The contingent beneficiary then becomes the primary beneficiary. Another option is to name multiple beneficiaries



and specify what percentage of the net death benefit each is to receive.

You should carefully consider the ramifications of your beneficiary designations to ensure that your wishes are carried out as you intend.

Generally, you can change your beneficiary at any time by signing a new designation form and sending it to your insurance company. However, if you have named someone as an irrevocable (permanent) beneficiary, you will need that person's permission to adjust any of the policy's provisions.

How Much Life Insurance Do You Need?

Your life insurance needs will depend on factors such as your age, marital status, the size of your family, the nature of your financial obligations, your career stage, and your goals. Your best resource for figuring this out may be a financial professional, who can assist with determining what you need—and what you can afford.

These questions can help guide you, as well:

- What immediate financial expenses (e.g., debt repayment, funeral expenses) would your family face upon your death?
- How much of your salary is devoted to current expenses and future needs?
- How long would your dependents need support if you died tomorrow?
- How much money do you want to leave for the things that matter to you, like funding your children's education, leaving an inheritance, or gifts to charities?

Your needs will change over time, so be sure to reevaluate your coverage regularly.

Types of Life Insurance Policies

There are two basic types of life insurance: term and permanent.

Term life insurance policies provide life insurance protection for a specific period. If you die during the coverage period, your beneficiary receives the policy death benefit. If you live to the end of the term, the policy simply terminates, unless it automatically renews for a new period.

Permanent life insurance policies provide protection for your entire life, so long as you pay the premium to keep the policy in force. Premium payments are larger in the early years of the policy in order to accumulate a reserve. In later years, this accumulated reserve, known as the *cash value*, is used to cover the shortfall between premium payments and insurance payouts. Should the policy owner discontinue the policy, the cash value is returned to the policy owner.

Where Can You Buy Life Insurance?



Your employer may offer it through a group life insurance plan. You can also buy insurance through a licensed life insurance agent or broker, or directly from an insurance company.

Any policy that you buy is only as good as the company that issues it. Ratings services, such as AM Best, Moody's, and Standard & Poor's, evaluate an insurer's financial strength. The company offering coverage should provide you with this information.

A financial advisor can help you understand which type of life insurance might be best for you, and how much coverage you should purchase. They may also be able to provide a list of life insurance agents or brokers in your area. For help getting started, call CAPTRUST.

Legal Notice

This material is intended to be informational only and does not constitute legal, accounting, or tax advice. Please consult the appropriate legal, accounting, or tax advisor if you require such advice. The opinions expressed in this report are subject to change without notice. This material has been prepared or is distributed solely for informational purposes. It may not apply to all investors or all situations and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy. The information and statistics in this report are from sources believed to be reliable but are not guaranteed by CAPTRUST Financial Advisors to be accurate or complete. All publication rights reserved. None of the material in this publication may be reproduced in any form without the express written permission of CAPTRUST: 919.870.6822.

© 2026 CAPTRUST Financial Advisors