

5 misconceptions people have about life insurance — and the facts you need to know.



In most states, auto and homeowners insurance policies are required by law, so if you want to buy a car or a home, you need to learn about these policies. But since life insurance isn't mandatory, many people have misconceptions about how it works, who needs it, and how much they should get.

The good news: Life insurance isn't all that complicated. Here are five common misconceptions about life insurance and the facts you need to know.

Misconception #1: You don't need life insurance until you have children.

The Facts: While it's true that many people don't think about life insurance until kids come along, there are good reasons to get started sooner. For instance, if you're married and something happened to you, your spouse would have to cover all the household expenses you currently shoulder together. Even if you're single, your loved ones would have funeral expenses and any shared outstanding loan debts to deal with.

Need another reason to get life insurance while you're young? If you qualify now while you're in good health, your policy can follow you throughout your life, even if health issues arise later.

Misconception #2: Stay-at-home parents don't need life insurance.

The Facts: Stay-at-home moms and dads may not get paid, but that doesn't mean their services aren't valuable. Daycare alone can cost as much as college tuition. Insure.com estimates the 2025 market value of a stay-at-home parent's services (childcare, housekeeping, transportation, etc.) at \$145,235 per year. So don't skip life insurance coverage for them just because they're not getting a paycheck.

Misconception #3: Life insurance is expensive.

The Facts: Compared to insuring a car or home, life insurance can be a steal. A \$500,000 policy for a 30-year-old can cost less than \$30 per month. Premiums are higher for older policyholders or those with significant health issues, but the cost is still less than most people imagine. According to a 2024 survey, 47% of Americans overestimate the cost of a term life insurance policy.

Misconception #4: Life insurance is only for your family.

The Facts: You can make almost anyone the beneficiary of your life insurance policy, or even a favorite charity. And if you are a business owner, business life insurance allows you to protect your partners in the event of your passing. It's a good idea to have policies on all your company's key employees — anyone whose role would be difficult to fill if they were suddenly gone. Learn more about the benefits of business life insurance.

Misconception #5: I have a policy at work. I'm covered!

The Facts: Employer-provided life insurance is a nice benefit, but it's usually limited to one or two times your yearly salary (unless you supplement it by paying more). That might not be enough to cover living expenses for your spouse and family, or future college costs for your kids.

Another drawback of employer-provided insurance: If you lose your job, you lose the insurance, leaving your family unprotected while you scramble to replace it. A private policy follows you, and only you can terminate it.

Want to know how much life insurance you need? You can get a general idea with our life insurance needs calculator. We also recommend discussing it in person with a local, independent agent who can take all your unique needs into account.

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