

LIFE INSURANCE

Should You Buy Life Insurance? Four Cases When You Should or Shouldn't

Should you buy life insurance? If no one depends on your income for support, you probably don't need life insurance at all.



Should you buy life insurance? Your need for life insurance changes with the stages of your life, starting with little to no need when you're young, progressing to greater and greater necessity as you take on more and more responsibility, and finally beginning to diminish as you grow older and your responsibilities wane.

Insurance is there to protect you, your family and the living standard you have or are working towards. When you think of dependents, don't limit yourself to thinking only of minor children. Many young and middle-aged people help support their parents. There are also many parents still helping their adult children. And although a business is not a living person, if it depends on your contributions and you and your family depend on its profits, you need to consider how it will continue if you are not there.

Here are four cases when you should or shouldn't buy life insurance.

1. When you're single with no children

Sad though your death would be, it's unlikely it would create financial hardship for anyone. Any honest financial assessment of your situation would have to conclude that you have little or no need for life insurance.

An argument could be made that you should buy a policy now while you're young and rates are low. But consider the interest you could earn by saving and investing your money instead of spending it on insurance premiums. Still, if somebody — a parent, a grandparent — wants to buy you a policy now to lock in low rates for later in your life, accept it gratefully.

The need for life insurance usually arises when you have dependents, such as a child or a spouse. But — you may be an important source of income or labor for your family. Do you help pay the rent or mortgage? Are you a vital member of your family's business? These are situations where buying a policy makes sense.

2. Dual income couples with no children

Married couples with no children may need little or no life insurance, especially if both spouses contribute equally to the household income. The death of either spouse would not be financially catastrophic; the other could presumably survive on his or her own income.

Still, it could be a strain. Perhaps the surviving spouse couldn't afford the mortgage or rent payments on a single income, or maybe the couple has big credit card debt. Also, there would be funeral costs. Under these circumstances, each of you should probably buy a modest amount of life insurance to protect the other.

It's possible there are other reasons to consider buying more coverage. Maybe the survivor has limitations that restrict or reduce their ability to work. Or as a couple, you may have decided to plan for a future family and have engaged in embryo cryopreservation. Paying for future fertility procedures and child rearing are expensive. In this case, you need to plan as if a child is already there and provide for their future.

3. One income and single or married with children

A one-income family with young children is the classic high-need situation. Basically, all of the family members are dependent on one breadwinner for their total support, so insurance on that life is vital. You need coverage that will replace that current income and take inflation into account to offset rising costs and diminished purchasing power.

Replacing income to pay the mortgage, buy food and pay the utilities is easy to assess and arrive at a number. But there is more to it than that. How much will it cost to replace the employer provided and subsidized health insurance that will be lost? Or how much more will you need to have after you lose the benefit of tax-advantaged flexible spending and dependent care accounts? You have to look beyond the paycheck and compile a full list all of the benefits that flow from that person's employment to get an accurate picture of how much insurance you'll need.

Coverage for the stay at home spouse.

Coverage if the non-earning spouse should die is also important. The surviving, employed spouse would have an immediate need to pay for child care. But the person home is doing more than providing babysitting. That person usually makes or arranges for meals, does laundry, walks the dog and makes sure the kids get from one place to another. Who will do all of that? Lastly, was there an expectation that this spouse would go back to work at a certain point? That will need to be considered as well.

Replacing the income and covering the duties of either parent will be a very expensive proposition that argues for insurance on both lives. This same high-need situation exists for dual-income households with children, for single parents, and for those caring for elderly parents who have limited resources of their own.

A term life policy is an affordable way for families to get the protection they need. You can choose a term that's long enough to cover the years until your mortgage is paid off and all of your children have graduated high school or even college. Then you'll know that funds will be available to pay off your home and pay for your children's care if something were to happen to you while they were young.

4. The golden years

The kids have grown and are making it on their own. You have a pension or 403(b), the house is paid off and there are considerable assets that can be used to generate a good income after you die. In circumstances like this, you clearly don't need as much life insurance as you once did.

The one caveat here is estate planning. If your estate is large enough to be subject to the estate tax when you die, your heirs can use the death benefit to pay the IRS. If the policy is held by a trust, the benefit would not be counted as part of your estate. A whole-life policy is

a good fit because you don't know when you will die and you'll need to hold on to your coverage indefinitely.

If you are at the same stage of life, but don't have quite as much saved, you need to reassess your insurance needs in a different light. You may not need to plan to afford mortgage payments, but you do need to consider the cost of maintaining the home, property taxes and property tax increases. And determine if the surviving spouse has enough resources to stay in their home as they age or if they will need to move to a nursing home.

Bottom line

If you think you don't need life insurance, you're right — technically, at least. You don't purchase life insurance for yourself. You purchase it for the loved ones you leave behind. When people depend on your income, life insurance can replace that income for them if you die.

The most commonly recognized case of this is parents with young children. However, it can also apply to couples in which the survivor would be financially adversely impacted by the income lost through the death of a partner, and to dependent adults, such as parents, siblings or adult children who continue to rely on you financially. Insurance to replace your income can be especially useful if the employer-sponsored benefits of your surviving spouse or domestic partner will be reduced or terminated after your death.

NYSUT NOTE: Ready to find a life insurance plan that works for your family? The NYSUT Member Benefits Trust–endorsed [Term Life Insurance Plan](#), provided by Metropolitan Life Insurance Company, can help your family after you're gone. From college tuition and funeral fees to day-to-day expenses like groceries, this plan will give you peace of mind that your loved ones will be taken care of in your absence.

About the Author

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*Donna joined Kiplinger as a personal finance writer in 2023. She spent more than a decade as the contributing editor of J.K.Lasser's *Your Income Tax Guide* and edited state specific legal treatises at ALM Media. She has shared her expertise as a guest on Bloomberg, CNN, Fox, NPR, CNBC and many other media outlets around the nation. She is a graduate of Brooklyn Law School and the University at Buffalo.*

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