

Should I get life insurance in my 20s or wait?



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When you're in your 20s, especially your early 20s, life insurance is probably the last thing on your mind. You might be preoccupied with getting your career off the ground, meeting your basic expenses, and figuring out how to handle all the other responsibilities of being an adult. You also might be single, with no spouse or kids who depend on your income. So why would you want to buy life insurance?

In fact, there are some compelling arguments for buying life insurance well before you think you might need it: Life insurance costs less when you're younger, and you may develop health issues as you get older.

Why do I need life insurance in my 20s?

"One of the most overlooked benefits of purchasing insurance at a young age is the ability to lock in your future insurability," said Matthew Carbray, a CFP® professional with [Ridgeline](#)

[Financial Partners/Carbray Staunton Financial Partners](#) in Avon, Connecticut, in an interview. (**Calculator:** [How much insurance do I need?](#))

What if your health declines as you age? For example, what if you develop:

- A **chronic condition** such as high cholesterol, or Type 2 diabetes that isn't well managed by medication, diet, and lifestyle changes?
- **High blood pressure** or coronary artery disease?
- A high-risk **cancer**?
- A **weight gain** over the years that eventually pushes your body mass index into the obese category?

Then, you might become uninsurable or have to pay a higher rate.

If that happens, you'll still have the option to purchase [some types of life insurance](#) designed for those later in life. You can lock in coverage and premium rates for the life of the policy. Policy benefits may be limited for the first two years, but in some instances your medical history doesn't matter and you may not have to complete a medical exam.

But you won't be able to buy nearly as much life insurance with these kinds of policies; they're meant only to help cover your final expenses, not to help replace your income and provide ongoing support for your family. In addition, some providers have an age floor on these policies, meaning you might not be able to buy one until you're at least 50 years old. Going without life insurance for decades is a risky move.

Term versus permanent life insurance

There are two basic categories of life insurance. [Term life insurance](#) provides a death benefit for a specified period of time. [Permanent life insurance](#) also offers a death benefit, and sometimes other features, but without the time restriction. And it tends to cost more. So many people with tight budgets tend to lean towards term life insurance coverage.

But many term life insurance policies offer convertibility, meaning the full policy or a fraction thereof can later be converted to permanent life insurance.

In other words, getting an inexpensive term policy while you're young and healthy keeps your options open to switch to a different type of life insurance that might be appropriate when you're older and likely have more obligations and responsibilities.

Carbray said he thinks it's a very good idea to purchase life insurance in your 20s to lock in your insurability. You can protect current and future liabilities for a negligible cost with [term](#)

[life insurance](#), he said. If you wait until your 40s, your premiums will be higher because you're older and you risk being less insurable.

For instance, a 21-year-old non-smoking female in excellent health can get a 20-year term policy with a death benefit of \$100,000 for about \$113 a year. The same policy for a 40-year-old climbs to a little under \$140 a year.¹

The price difference gets wider with permanent life insurance, like a whole life policy, which offers [more features and coverage for life](#). For instance, for the same 21-year-old above, could get a whole life policy with the same \$100,000 death benefit for \$1,106 a year (payable until they reach age 65). The 40-year-old would pay \$2,358 a year (until age 65).²

Additionally, these kinds of whole life insurance policies will be building up cash value, [discussed further below](#).

Medical issues and life insurance cost

Many people get more proactive about seeing a medical professional as they age and start a family, Carbray observed, and medical issues can be identified then that can result in adverse underwriting.

Someone in their late 20s who starts a family young needs life insurance to protect against the costs of caring for young children, inflation-adjusted future college expenses for the kids, and paying off liabilities such as a mortgage and student loans, Carbray noted.

While federal student loans are discharged when you die, private student loans may not be, depending on the provider. Your estate or your cosigner, if you have one, may be responsible for paying them. Review your loan terms to see what happens to the debt if you die before you've repaid it in full.

“Even single people with no dependents should have some life insurance,” said Rebecca Schreiber, a Certified Financial Planner® and cofounder of Pure Financial Education, a financial planning firm serving early career professionals in Washington, D.C. “Someone is going to have to take off work, get your stuff, and arrange a proper send-off.”

(Related: [Single? 3 reasons why you still may need life insurance](#))

If you have life insurance, she said, your loved ones have time to make arrangements and time to focus on grieving and healing. The more money you leave them from your life insurance policy, the more time they can take off before returning to the stresses of their everyday lives.

Make sure the person you designate as your beneficiary knows you have designated them and has the name and contact information for the company that issued your policy.

According to the Insurance Information Institute, an organization whose goal is to improve the public's understanding of insurance, [life insurance benefits sometimes go unclaimed for several reasons](#). The insurer might not know that the policyowner has died, or the contact information you provided about your beneficiary when you took out the policy might have changed, making it difficult for the insurance company to locate them even if it is aware of your death.

If affordability is an issue, you might find a small life insurance policy offered as a perk of holding a certain credit card or belonging to a certain credit union, Schreiber said. You might also have a life insurance benefit through work.

Cash value potential

[The cash value in a whole life insurance policy](#) builds over time. Remember the whole life insurance policies from the example above?

After 20 years:

- **The 21-year-old's policy would have a guaranteed cash value of \$17,609 after 20 years, age 41.**
- **The 40-year-old's policy would have a guaranteed cash value of \$41,328 after 20 years, age 60.**

Notice how the 40-year-old is approaching retirement age.

Here again, putting a life insurance policy into place earlier rather than later in life helps. By the time the 21-year-old in the example above reaches 61 years of age, her policy would have a guaranteed cash value of **\$47,998**. Perhaps more, based on factors like [dividends](#).³

Retirement options

Cash value can give you retirement planning options in conjunction with existing savings accounts and plans, like individual retirement accounts and 401(k) plans. Retirement savings plans are often tied to market based investments. When markets are not performing well, investors may be able to borrow tax-free from their whole life insurance cash value to supplement retirement income, allowing them to preserve the principal in their retirement accounts to take advantage of any market bounce back in the offing.

(Related: [Protecting yourself against market fluctuations in retirement](#)).

But there are implications to borrowing from the cash value of a whole life insurance policy. Such actions will reduce the policy's cash value and death benefit. This could also increase the chance the policy will lapse, and it may result in a tax liability if the policy terminates before the death of the insured.

The wisdom of using the cash value available in a whole life insurance policy for income in retirement will vary depending on individual circumstances. Many people seek out a financial professional for advice before planning such a move.

Conclusion

So why should you get life insurance in your 20s? Because:

- It's **cheaper** when you're younger.
- It can help **establish insurability down the road**, when families may grow and health issues may arise.
- Certain policies can establish a foundation for **retirement income options**.

A financial professional can help sort out the life insurance options and provide guidance on what type and how much life insurance may be appropriate for your situation.

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This article was originally published in September 2018. It has been updated.

¹ Based on MassMutual term policy price quote tool, <https://www.massmutual.com/insurance/life-insurance/term-life> .

² Based on MassMutual Whole Life 65.

³ Dividends aren't guaranteed, but some companies have paid them steadily. MassMutual has paid them to eligible participating policyowners since 1869. The company became a [mutual company](#) in 1867. Dividends are often used to help increase the policy's value.