

# 5 Benefits of Life Insurance for Families

1 Underwritten by United of Omaha Life Insurance Company

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**Summary:** *Your life insurance can provide some financial security for your family members. Learn about some of the main benefits of life insurance for families and what to consider when shopping for life insurance for family members.*

Life insurance can help provide some financial protection for your family when you pass away. These policies can cover a member of your family, such as a spouse, child, or even a [parent](#).

Many families choose to purchase life insurance as a financial safety net, especially if the insured person is the primary earner. If the insured person passes away, their loved ones can use the money from the life insurance policy to help cover necessary expenses, like a mortgage or school tuition.

Here are five benefits of life insurance for families and tips on how to choose the best family life insurance policy to help meet your needs.

# 1. Financial protection

A life insurance policy can provide a financial safety net for your family and loved ones, such as a spouse or children, after your death. The death benefit from a [term life insurance](#) or [whole life insurance](#) policy can be used to cover essential expenses.

## How life insurance provides some financial protection for family members

Your family members can use the money from the life insurance policy to help cover expenses for almost any purpose, and it is typically tax-free.<sup>1</sup> Uses might include:

- Final medical bills
- Mortgage payments
- Funeral expenses
- Outstanding debt

[Compare Types of Life Insurance](#)

# 2. Some peace of mind

Life insurance can help allow your family members and loved ones to continue their current lifestyle without your income. The money from the policy can help cover long-term expenses, so they're not forced to make major lifestyle adjustments.

## The comfort of knowing your family is covered

If you were to pass away, your family members might have to make sudden lifestyle changes. With life insurance for family members, however, the money from the policy can be used to help continue funding the lifestyle they're used to.

[Explore Life Insurance](#)

# 3. Debt relief

The proceeds from a life insurance policy can help protect your family members from assuming debt that they can't afford, like a mortgage or car loan. The death benefit can help provide some financial assistance so your loved ones won't lose those assets if they're unable to cover the payments. Note that if the cash value is used by the insured, either through withdrawals or loans\*\*, the death benefit might decrease.

## How life insurance can help provide debt relief

Family members can use the money from a life insurance policy to help cover the insured person's outstanding debt and final medical bills, which don't automatically disappear after

death. Without life insurance, your spouse or children might have to dip into their own savings or emergency fund to cover these costs.

[Calculate Life Insurance Needs](#)

## 4. Tax-free benefits

Life insurance plans can have tax benefits. Life insurance may leave a significant amount of money to your family members after you pass away, and in most cases, that money isn't counted as taxable income. Unlike some other forms of inheritance, you don't pay estate taxes or [death taxes](#) on proceeds from a life insurance policy, which can lower the amount you actually receive.

### Building financial security through tax-free life insurance plans

Because life insurance death benefits are tax-free, your family members will receive the full amount. For example, if you have a \$25,000 term life insurance policy, and you pass away before the term ends, your beneficiary should receive the full \$25,000 benefit.

## 5. Legacy planning

Life insurance for family members is often used as a tool to help cover final expenses, like [funeral costs](#). In 2023, the median funeral cost with a casket and burial was \$8,300, according to the most recent data from the National Funeral Directors Association.<sup>2</sup>

### Helping to ease the financial burden of funeral costs with life insurance

Final expenses can put a financial strain on family members, but with a comprehensive life insurance policy, the death benefit can be used to help cover those costs. The policyholder also has the option to withdraw or borrow\* cash value while they're still living to pay for other final expenses, like medical bills. However, using the cash value can decrease the death benefit.

## How to choose the best life insurance plan for your family

The right type of life insurance for a family depends on a variety of factors, including your current financial situation and future goals. Before you choose a family life insurance plan, it's important to look at your individual situation, research life insurance companies, and compare multiple policies.

### Tips for selecting the right type of life insurance plan for your family

Here are some tips that can help you choose the best kind of life insurance for your loved ones:

- **Assess your current financial needs.** Consider your current financial responsibilities that would fall to your family members if you passed away. This might include a

mortgage, childcare, or school tuition payments. Choose a death benefit that would provide enough money to cover those recurring costs.

- **Consider your future goals.** Think about your financial goals or future financial needs. For example, if you want to leave a sizable inheritance to your children, you might benefit from a cash value life insurance policy. Or, if your aging parents don't have money saved for a funeral, you could take out a final expense life insurance policy on their behalf.
- **Decide the length of coverage.** When choosing a life insurance policy to help your family members, you'll need to decide how long you want the coverage to last. There are two main types of life insurance: term life insurance and [permanent life insurance](#). Term life insurance provides coverage for a specific period, like 10 or 30 years, while permanent life insurance provides lifetime coverage.
- **Consider affordability vs. benefits.** Your life insurance death benefit should be appropriate for your family's lifestyle, current financial situation, and future goals. However, policies with higher death benefits typically have more expensive premiums. It's important to weigh the cost of the policy against the benefits to ensure that the policy will meet your financial needs, while also being affordable.

## Secure your family's future with life insurance

Life insurance can provide some financial security for your family's future. Not only can individual life insurance plans provide some peace of mind and stability, but the death benefit may help ease the financial burden for family members if you pass away.

### Family life insurance is a smart investment for the future

Life insurance is a great investment for many families. <sup>1</sup> United of Omaha Life Insurance company, a Mutual of Omaha company, offers many types of family life insurance that can meet a variety of needs and help protect your family's future.

## Frequently asked questions (FAQs)

### Can I buy different life insurance policies for different family members?

Yes, you can purchase different life insurance policies for different family members. However, you must prove that you have an insurable interest in the person you're buying the policy for.<sup>3</sup> That means you would have financial concerns if that family member were to pass away.

### How does life insurance help secure my family's financial future?

Life insurance for family members can offer some financial protection for your loved ones because it provides a death benefit when the insured person passes away. That money can be used for any purpose, like paying a mortgage or covering end-of-life expenses, and is usually tax-free.

## Can life insurance help cover medical expenses for my family?

Life insurance can help cover medical expenses for your family, but it depends on the type of policy you have. If you have permanent life insurance, the cash value can be borrowed or withdrawn\*\* while you're still living to help pay medical bills. However, the policy's death benefit can decrease if you use the cash value.

## Can life insurance for each family member help cover funeral costs and other final expenses?

Yes, life insurance for family members can be used to pay for funeral costs and other end-of-life expenses. When the insured person passes away, their beneficiary can use the death benefit to help cover burial expenses, cremation costs, final medical bills, and more.

### Sources

1. IRS, [Life insurance & disability insurance proceeds](#), December 2025
2. National Funeral Directors Association, [2023 NFDA General Price List Study Shows Inflation Increasing Faster than the Cost of a Funeral](#), December 2023
3. Commonwealth of Massachusetts Division of Insurance, [Life Insurance Basics](#)

This life insurance does not specifically cover funeral goods or services and may not cover the entire cost of your funeral. Your beneficiary may use the proceeds for any purpose, unless otherwise directed.

Mutual of Omaha and its representatives do not provide tax and/or legal advice, and the information provided herein is general in nature and should not be considered tax and/or legal advice.

For NY residents

Policy fee is \$12 annually.

\*Loan terms

The interest rate on a loan is 5.66%. Withdrawals may be deferred for up to 6 months. Surrender charges may apply. You may take loans secured by this policy's cash value by submitting a written request. You must assign this policy to us as sole security for the loan.

The maximum loan allowed equals:

- a) the cash value; minus
- b) the interest that will accrue on the loan to the end of the policy year in which the loan is made; minus
- c) any previous loans you have taken that you have not repaid; minus
- d) any premium due.

If you request a loan, we will charge 5.66% loan interest in advance (6% effective annual interest rate). If you do not pay the interest when due, that interest will be added to the principal amount of the loan and bear interest at the same rate as the loan.

We will subtract any loan not repaid on the date of the insured's death from the death benefit. We may defer making a loan for up to six months unless the loan is to pay premiums to us.

\*\*Loan repayment

You may repay all or part of a loan at any time while the policy is in force. At the time of repayment, we will refund any interest paid but not yet accrued on the loan.

If you do not repay a loan, this policy will end without value when the loan balance equals or exceeds the cash value. We will notify you and any assignee of record at least 30 days before this policy ends.

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Product base plans, provisions, features and riders may not be available in all states and may vary by state.

Policy form ICC18L198P or state equivalent. In FL, D787LFL19P, In NY, 1002Y-0119.

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