

Is life insurance a worthwhile investment?

The purpose of having a life insurance plan is to give your loved ones financial protection in the event that you pass away earlier than expected. When you think about your need for life insurance, it almost doesn't matter how much you earn or whether you actually earn any money at all. Rather, the decision should be based on whether your passing will negatively impact the finances of someone else in your life (typically a child or spouse). If the answer is yes, then it pays to get a policy.




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Do you need life insurance?

Not everyone needs life insurance. But if your children, partner or other relatives depend on your income, then the answer is yes – you probably do want life insurance, since it will help provide for your family in the event of your death.



What is life insurance?

Life insurance can pay your dependents money as a lump sum or as regular payments if you die.

It's designed to provide you with the reassurance that your dependents will be looked after if you're no longer there to provide.

The amount of money paid out depends on the level of cover you buy. You decide how it is paid out and whether it will cover specific payments, such as mortgage or rent.

There are two main types of life insurance:

1) Term life insurance policies: run for a fixed period of time – such as 5, 10 or 25 years. These kinds of policies only pay out if you die during the policy. There's no lump sum payable at the end of the policy term.



2) A whole-of-life policy: will pay out no matter when you die, as long as you keep up with your premium payments.

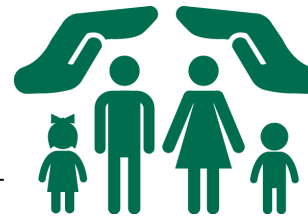
What isn't covered?

Life insurance usually only covers death – if you can't provide for your family because of illness or disability, you won't be covered.

Some life insurance policies provide a terminal benefit, although these are not automatically granted.

A terminal benefit will pay out on diagnosis of a terminal illness.

Most policies have some exclusions (things they don't cover). For example, they might not pay out if you die due to drug or alcohol abuse, and you normally have to pay extra to be covered when you take part in risky sports.



If you have a serious health problem when you take out the policy, your insurance might exclude any cause of death related to that illness.

You can buy other insurance products for these issues, which cover:

- long-term illness
- critical illness cover, or
- total and permanent disability.

How much does life insurance cost?

Life insurance can be very good value.

Often just a few pence a day is all you need to provide your loved ones with plenty of financial protection (depending on your age and health status).

But monthly payments (also known as premiums) do vary, so it's a good idea to shop around.

Check exactly what is covered for the level of the monthly payment.

The price you pay for a life insurance policy depends on a number of things.

These include:

- your age
- your health
- your lifestyle
- whether you smoke
- the length of the policy
- the amount of money you want to cover, the length of the policy, but also your age, your health, your lifestyle, and whether you smoke.



For example, the younger you are and the less likely you're to die from a medical condition, the cheaper your policy is likely to be.