

Why Life Insurance Is Good To Have

What is life insurance?

Life insurance is one policy -in an ideal world - you never want to claim on, but buying it can help ensure peace of mind.

A life insurance policy will typically cover mortgage repayments - and mortgage lenders encourage homebuyers to take out cover to minimise the risk of repossession in the event of a death.

Life Insurance can also cover:

Lost income - so your partner or family can continue to enjoy a comfortable standard of living.

Education or childcare costs - you may have to pay for a nanny or childminder, or for school fees and university costs.

Who should buy life insurance?

Life insurance is aimed at anyone who wants to provide a financial safety net should the worst happen. Typically it is bought by people who, as the main or joint breadwinner, are financially responsible for loved ones. Single people may wish to cover expenses such as funeral costs, so their wider family isn't faced with this financial burden. You may also want to pay off your mortgage or your debts so someone else can have your house or car, for example.

Guide to different types of life insurance

1) Life Level Term Insurance

Pays your family a fixed cash sum, which remains the same throughout an agreed time period, such as 20 years.

2) Mortgage Life Insurance

Pays off your mortgage in case of death with the amount decreasing in line with a mortgage balance.

3) Critical Illness Cover

Pays out a lump sum if you are diagnosed with specified illnesses, such as cancer or heart disease. This can be obtained as stand-alone cover, or as part of a life insurance policy.

4) Whole of Life Insurance

Unlike term insurance, whole of life cover is guaranteed to pay out regardless of when a policyholder dies.

5) Single or Joint Cover

Single cover protects one person, while joint cover can be bought by couples, and it pays out on the first bereavement.

How long should a life insurance policy last?

You can buy [life insurance](#) cover to protect into old age, with a guaranteed payout when you die. But at the very least, you may want to consider covering your life until your mortgage is repaid, your children become financially independent, or perhaps until you reach retirement.

How much life insurance cover should I get?

You should consider covering your mortgage and other debts, you may also want to consider life insurance to cover loss of income. Financial advisers typically recommend cover of ten times gross income as a starting point, though you may decide more is necessary.

The more comprehensive the cover, the greater the monthly premium, so you should seriously consider how much protection you need to provide the necessary peace of mind for your family. The costs which you need to cover may also change over time - and life insurance policies can reflect this. For example, mortgage costs may decline as the capital of the loan is repaid, so you may choose to buy decreasing-term life insurance, such as mortgage life insurance, which pays out less as the years go by.

About the Author

You can find out more about [life insurance](#) at <http://www.confused.com>

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