A Guide to Life Insurance

No one likes to think about what will happen when they die, but life insurance is arguably one of the most important insurance policies you can take out. Not only does it give you peace of mind now that any loved ones will be financially protected, but it could reduce the stress on your family and allow them to stay living in their home in the event of your death.

Do I need life insurance?

Life insurance provides financial support to your loved ones if you pass away. It is a sensible idea to get life cover if you have any dependents, such as children, a partner, or other family members that you care for. If you have a mortgage, a life insurance policy means that those who are left behind can live in the property mortgage free, thus providing them with much-needed stability.

Be sure to check if you are entitled to any kind of cover from your workplace – many employers have 'death in service' benefits that will provide your loved ones with a lump sum if you die. However, this is not a replacement for life insurance – the benefit will end if you leave your job, and you do not get to choose how much money your family receives.

We understand you may not want to think about what will happen if you are not around, but taking out a policy could help alleviate the financial burden on your family at a distressing time.

How much cover do I need?

How much cover you need depends on a range of factors, such as your mortgage, number of dependents, your partner's salary, the cost of your household bills, and more. We can advise on the right level of cover for you.

Joint or single policy?

If you are married or have a partner, you might be unsure whether to take out a single or joint life insurance policy.

Single life insurance – a single life insurance policy covers one person only. If a couple has two separate policies, the surviving spouse's insurance will remain in place if their partner dies.

Joint life insurance – a joint life insurance policy covers two people and usually only pays out once. This means that if one policyholder dies, the cover will end, and the surviving partner will need to take out new cover. Also, if your relationship ends, you will likely need to end the policy and take out new cover (unless the insurer can separate your policy).

Some people opt for joint life insurance as it can be cheaper than two single policies, particularly if one policyholder is more expensive to insure due to health conditions or requiring a higher level of cover.

It's important to make sure you have the appropriate policy for you and your loved ones.

Level term or decreasing term life insurance?

Term life insurance will cover you for a fixed length of time of your choosing, such as 10 or 25 years. You might take into consideration the length of your mortgage or when any dependents will no longer depend on you financially.

There are typically two different types of term life insurance to choose from.

Level term insurance

If you take out level term life insurance, you will pay the same monthly premium for the length of the policy. You will agree a specific amount (sum assured) that will be paid out in the event of your death – this is a lump sum that can go towards anything such as household bills, general living costs, and your mortgage. Your payments will not go up to reflect the rate of inflation; however neither will the payout. If you would like to factor inflation into the policy, you could opt for indexation of premiums when taking out the cover, but that does mean your premium will go up.

Decreasing term insurance
Decreasing term insurance is usually taken out in conjunction with a repayment mortgage. You will pay the same premium for the duration of the policy, but the value of your payout decreases over time to reflect the decreasing amount of debt owed. While this option is typically cheaper, you will only have the amount of the mortgage covered if you die.

With term life insurancethere is no payout at the end of the term; ¬if you live until the end of the policy, the cover will terminate, and you will need to make new arrangements if required.

Whole of life cover

As the name suggests, whole of life insurance covers you for life, so your family is guaranteed to receive a payout when you die. The policy does not have an end date, so you will usually pay premiums until you die, but some insurers only require you to pay premiums until the age of 80 or 90, with cover remaining until your death. Whole of life insurance is generally more expensive than term life cover as the insurer will make a payout; however, it does provide you with peace of mind that your family will be provided for no matter what (provided that you keep up your payments).

How much will it cost?

The cost of life insurance varies depending on each policyholder's circumstances, but it is often cheaper than people expect. Your premiums will be calculated based on the level of cover you need, plus a range of factors such as your age, general health, if you smoke, and the length of the policy.

It's never too early to consider taking out life insurance – in fact, you are doing your future self a favour. Life insurance typically costs less at a younger age, so getting cover sooner rather than later could mean you pay less than others as you get older.

Additional insurance options

It is important to remember that life insurance only pays out in the event of your death. It will not provide any financial support if you were to become ill, which is why critical illness cover is often bought in conjunction with life insurance.

Critical illness cover financially protects you and your family if you were unable to work due to a serious illness. The insurer will specify which illnesses are covered and if any exclusions apply. Many provide the option to combine critical illness and life insurance, making your premium cheaper than taking out two separate policies.

We can advise on the best cover for you and any loved ones, taking into account your personal and financial circumstances.

Writing the policy in trust

Writing your life insurance policy in trust ensures that a life insurance payout is not considered part of your estate and therefore not subject to Inheritance Tax. As such, it is one of the best steps you can take in safeguarding your family's financial future. Also, claims can be paid before probate is granted, so your beneficiaries can receive the money swiftly.

It might seem complicated, but writing the policy in trust is not normally difficult or time-consuming. There are a range of trusts to choose from, and we can help advise on the right one for you.

Reviewing your cover

It is easy to buy life insurance once and never think about it again. However, it is important to review your policy from time to time, especially if you have experienced a major life event. For example, if you have recently welcomed a child, moved home, or got married, you may need a higher level of cover. Similarly, if you have downsized or gone through a divorce or separation, you might be able to reduce your level of cover.

Seek professional advice

We know that life insurance can be a sensitive subject, so we are here to help you make sense of it all. It's important that you, and any family, is sufficiently protected should the worst happen, so please do get in touch with us if you would like friendly, professional advice. With so many options available, we can help tailor your policy to your specific needs at a cost that is right for you.

Finding appropriate life insurance – how we can help

We work with carefully chosen insurers and recommend the most suitable policy for your circumstances.

• **Independent advice** – we provide unbiased advice on a range of products from various providers, ensuring you get the most suitable deal for your individual circumstances.
• **Market insight** – we have in-depth knowledge of the life insurance, critical illness, and income protection markets and can help you understand the pros and cons of different types of policies and cover.
• **Application support** – We prepare and submit your application, ensuring everything you need cover for is included.

As with all insurance policies, conditions and exclusions will apply.
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