

FAQ Qs On Life Insurance

Answer should be link to another page

Q: What is life insurance?

Answer:

Life insurance is a financial resource for your loved ones in the event of your death. You enter into a contract with an insurance company, which promises to provide your beneficiary(ies) with a certain amount of money upon your death. In return, you make periodic payments, known as premiums. The amount of the premiums generally depends on factors such as your age, gender, occupation, medical history and whether you intend to build up cash value in your policy. Some policies may require a medical exam.

Certain types of life insurance may also provide benefits for you and your family while you're still living. Such policies accumulate cash value on a tax-deferred basis that can be used for future needs such as supplementing your retirement income or helping provide for a child's education.

Q: Do I need life insurance?

Answer:

The ability to earn an income can be considered your family's most valuable asset because your income allows you to obtain other assets, particularly the necessities of life and, of course, the creature comforts. However, as we know, the ability to earn an income is not guaranteed. Yet, the need for income may continue for those who were financially dependent upon you. Consequently, your need for life insurance and the amount will depend upon your personal and financial circumstances.

Q: When should I buy life insurance?

Answer:

When to buy life insurance depends more on your individual circumstances and your personality than on any hard-and-fast rules. There are good arguments on both sides of the issue.

Buy now

Life insurance premiums increase dramatically as you get older. If you buy permanent life insurance while you're younger and (presumably) healthy, you can take advantage of lower rates. Your premium costs may increase, but these increases are strictly regulated. Cash value life insurance also offers a type of "forced savings," and the policy accumulates tax-deferred over time. Buying while you are younger provides the added advantage of extra time in which the cash value can grow.

Buying life insurance while you are younger can be especially important if you are in a high-risk group for any disease or medical condition that might make you uninsurable. If you choose to buy insurance for this reason, ask about adding a guaranteed insurability rider to your policy. This rider guarantees you the right to purchase additional insurance at specified times, without having to provide proof of insurability. This way, if you get married, start a family, or take on other responsibilities, you can purchase the insurance you need without worrying about whether you will be denied coverage.

Buying term life insurance while you are younger has certain advantages as well. Like cash value insurance, premiums for term life insurance increase significantly as you get older. By buying now, you can lock in low premium rates for the duration of your policy. If you choose to purchase term insurance, look for a policy with a renewability provision. This clause allows you to renew

the policy without having to take a medical exam or prove insurability. However, your premiums will likely increase each time you renew your policy as a result of your decreased life expectancy.

Buy later

Instead of buying life insurance now, you might decide to put off this purchase until later, perhaps when you have a family and more responsibilities. For the time being, you may want to put that money into other types of investments that have the potential to provide greater returns.

In order to fully reap the benefits of this strategy, you must have the financial discipline to invest your premium savings on a regular basis. Or, instead of depending on your own ability to faithfully invest each month, arrange for funds to be automatically transferred from your bank to the investment account of your choice.

Keep in mind, however, that while this strategy provides the potential for investment returns, these returns are not guaranteed. In addition, it would be unwise to delay purchasing any life insurance if you have children or other dependents who would suffer financially as a result of your premature death.

Q: Can I do anything to lower the cost of life insurance?

Answer:

The price you pay for life insurance depends on your age, your health, and your lifestyle. So if you are older, you have health problems, and you are a smoker, you will always pay more for life insurance than someone who is younger, healthier, and a nonsmoker. That being said, there are ways to lower your life insurance premiums, even if you fall into a higher-risk category.

Following are some simple suggestions for life insurance and term life insurance.

1. Round up

Often, you'll actually pay less for a little more life insurance as you approach multiples of \$250,000 in coverage. For example, \$240,000 of life insurance coverage might cost \$275 per year, while \$250,000 in coverage might cost only \$260 per year. Find out the rate per \$1,000 of coverage, which often drops once you pass a certain level of coverage. This figure will help you determine how to get the most life insurance for the least money.

2. Find a "friendly" life insurance company

Some life insurance companies do offer competitive rates for conditions such as diabetes, heart disease, and cancer. These companies employ underwriters who are trained in analyzing people on a case-by-case basis, rather than lumping everyone with a particular condition into one group. Compass can help you find these companies

3. Find out about hidden fees

Answer:

You may not realize it, but your life insurance could end up costing you more if you choose to make "convenient monthly payments" rather than paying the entire premium up front.

Before you choose a payment plan, compare the single payment price to the total cost of the monthly payments. Do the math, and decide whether the convenience is worthwhile.

Q: What about the beneficiary?

Answer:

Most commonly, policyholders will name their spouse and/or their children as beneficiaries of their life insurance, with other family members an option for the unmarried and childless.

Beneficiaries are not limited to family - a business partner is also a popular option.

A joint-life policy is a popular and often less expensive option for couples which covers the two of them simultaneously. This type of policy may be in a first-death form - where the benefit is paid out on the death of the first of the two to die to the surviving partner - or a last-survivor form, where the benefit is paid to the beneficiary, usually the children, after both partners die.

Spouses may also take out life-of-another policies on each other; a husband may take out insurance on the life of his wife, and vice versa. Life-of-another policies require that you prove an insurable interest in the person whose life you are insuring; however, spouses are assumed automatically to have an insurable interest in each other's lives.

Q. Can I use an existing life insurance policy to cover the mortgage?

Answer:

Yes A mortgage is just one of the many financial obligations you should consider when determining how much life insurance you need. The mortgage company usually won't require you to buy additional life insurance to cover the mortgage, as long as you have enough insurance to cover all of your financial obligations

Q. Why consult Compass Financial Services

Answer:

We are truly independent and unbiased investment advisors, suggesting products and services that are best for you, not for us.

We search the market to find the best coverage for you.

We have a qualified team that will tailor make as per your requirements and assist you in the finalizing on the solution from our blue chip associations.

Important Disclaimer: Answers on Insurance advice are not a substitute for professional advice. For reliable information of any sort you must consult an officially qualified professional in your area.