Get a life; get life insurance

Dino Charalambous provides some top tips for getting the right life insurance

Life insurance is not something that many of us enjoy considering – who likes thinking about their own mortality?! However, for the benefit of our loved ones it needs to be dealt with. So, what should I be thinking about?

1. Make sure you buy enough cover – take into consideration your mortgage, loans, credit cards, plus any additional money for your children’s education. If you have any finance outstanding for a practice or business, you may be able to access cheaper insurance policies have become more competitive over this time period.

2. If you have stopped smoking in the last 12 months, you may be able to save money on your monthly premiums by changing your existing policy.

3. If your life insurance policy is more than five years old, you may be able to save money on your monthly premiums by changing your existing policy.

4. The younger you are when you take out a Life Insurance policy the cheaper the premiums will be. If you need life cover, don’t put it off – the younger and healthier you are, the cheaper it is.

5. Paying guaranteed rates could be costly in the short term but more cost effective in the long term.

6. Arranging your policies to be written in Trust will ensure that the correct person (Beneficiary) benefits from the proceeds of the policy in the event of your death. Under current Inheritance Tax legislation, every £100,000 of life assurance is a potential £40,000 tax bill, so it is important to place the policy in Trust. This is a free, simple way to ensure the tax man doesn’t take his slice of your loved ones’ money.

7. A life insurance policy in Trust will also be paid out sooner as the beneficiaries will not have to wait for Probate to be granted.

8. A level life insurance policy will pay out a set lump sum amount if you die within the term, providing an income for your family that can also be used to repay any outstanding debts, such as your mortgage.

9. If you are purchasing life insurance simply to repay any outstanding mortgage at the time of your death, you should consider a decreasing term policy. These policies decrease in value over the term in line with your outstanding mortgage balance. Then, if you die within the term, the payout is sufficient to repay your mortgage and protect your dependents from financial hardship.

10. Critical Illness Cover can be added to a life insurance policy. Premiums will be higher, however you will be covered for 50-40 Critical Illnesses, depending on the insurer. Always read the policy documents carefully before you buy to ensure you know what’s covered and what’s not.

11. Forgetting to mention a relatively minor health issue could result in your policy not paying out due to non-disclosure. Whether it is a smoking habit, a bad back or occasional pins and needles, make sure your insurance company knows about it. If in doubt, tell your insurer.

12. Additional options can be added to your policy for a few pence more per month, e.g. Illness Cover and Premium Protection.

13. Price comparison websites do just that... compare prices. They do not provide advice. To get the best advice and find the correct cover for your situation, it is important to speak to a Professional Insurance Adviser.

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Raising Finance?

DO engage the services of an independent firm to liaise with the Banks on your behalf – will ensure proposal is packaged for best chance of a positive response and also to negotiate best terms.

DO ensure you provide an accurate summary of your current position including all savings and existing borrowing.

DO ensure your CV is up to date with particular focus on any past Managerial experience.

DO expect the Bank to want you to put down a contribution towards the purchase.

DO undertake your own research of the local area and find out why the current owner is selling.

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Get it while you’re young: Life insurance is cheaper the younger and healthier you are.