

U**say**compare

A Guide To Life Insurance



What is Life Insurance?

Life Insurance is an insurance product designed to provide a predetermined tax-free lump sum, or ongoing payments, to a chosen beneficiary in the event of the policyholder's death.

- Life Insurance can give you the peace of mind that should anything happen to you, your loved ones would be taken care of financially.
- The amount the beneficiary receives depends on the level of cover you choose and can be specified to cover particular things, such as rent, mortgage or university fees.
- Many policies will pay out the beneficiary payment early on the diagnosis of a terminal illness, where you are not anticipated to live more than 12 months.
- A Critical Illness Insurance policy can be added separately to offer additional cover, should you become ill or injured and become unable to work.

How do I Purchase Life Insurance?

There are three main ways to buy Life Insurance:



Option 1

Go direct to an insurer like Bupa or Aviva.



Option 2

Through a broker or intermediary like us



Option 3

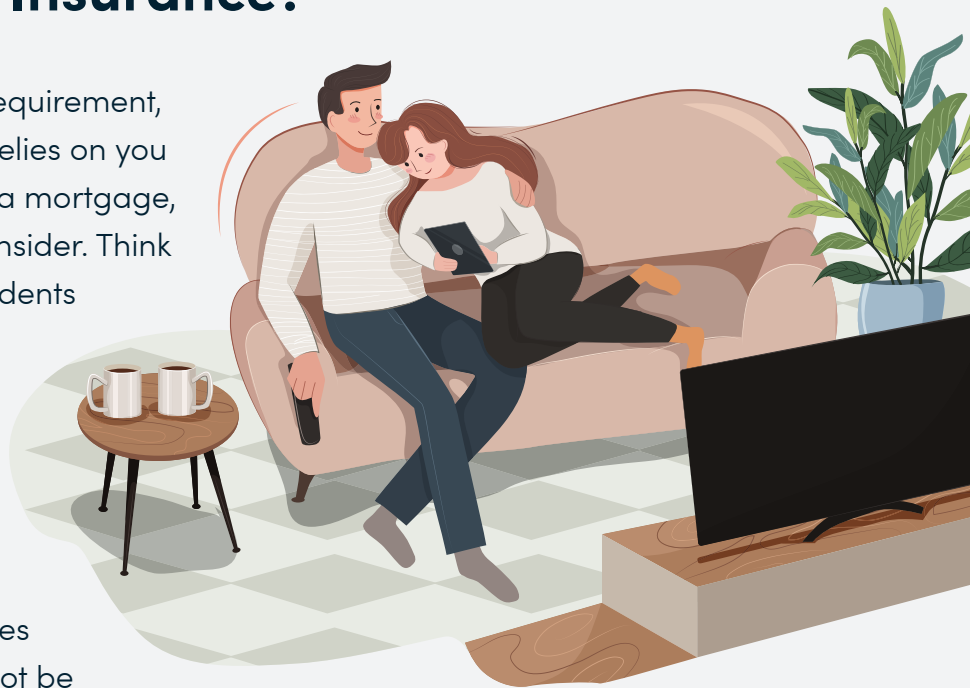
Through an Independent Financial Adviser (IFA)

Buying from an intermediary such as Usay Compare, allows for you to compare a wide selection of the best companies and policies, to ensure you have the best policy to suit you.

Our intermediary service is completely free of charge and you cannot get a better price going direct to the insurers.

Who Needs Life Insurance?

Life Insurance is not a legal requirement, but if you have anyone who relies on you financially, or a debt such as a mortgage, it is certainly something to consider. Think about how much your dependents would need to maintain their current standard of living if you were not there to provide for them. These costs may include your day-to-day bills, a mortgage or rent, school or university fees and more. If these costs cannot be covered by savings, then Life Insurance could be the answer. It can also be used for the purpose of leaving an inheritance behind, or to cover funeral costs or inheritance tax bills.



How Much Life Insurance Cover Will I Need?

Cover can vary depending on the lump sum payout amount you would like your beneficiary to receive. Your requirements can be calculated by the costs you need to cover, such as those mentioned above. It could also be calculated to cover a significant debt such as a mortgage or long-term loan.

Joint or Separate Life Insurance?

It is possible to purchase a joint policy between couples, or to hold two separate individual policies. A joint policy would usually mean lower premiums, but it would only pay out once. So if one person were to die during the policy term, the beneficiary would receive the lump sum, but the other would subsequently be left without cover. This may be completely suitable for some circumstances, whilst others may require both individuals to be protected separately.

Separation is also something to consider. With some policies it is fairly straightforward to divide a policy, should you divorce or separate – others are more complicated.

What Types of Life Insurance Cover are There?

There are a variety of options available when it comes to the type of Life Insurance policy you choose. These can affect the cost of the premiums as well as what the policy covers you for.

Term Life Insurance is taken out for an agreed term, for example 10, 20 or 30 years, to cover the specific period of time in which it is needed, whilst raising your children perhaps, or paying off your mortgage. It is the most affordable way to buy life insurance, but only pays out if you die during the term of the policy.

Whole of Life is quite different in that it covers your whole life and does not expire, assuming you continue to pay the premiums. It is designed to protect funeral costs, inheritance tax liabilities or simply to leave some money to loved ones when you pass. It is concerned more with covering the liabilities that are sure to arise on your death, regardless when that might be.

	Term Life Insurance	Whole of Life
Term covered	Term Life Insurance is taken out for an agreed period of time – for example 30 years.	Whole of Life Insurance covers your whole life and does not expire, assuming you continue to pay the premiums.
Cost	Term Life Insurance is the most affordable way to buy life insurance.	Whole of Life will probably cost more in the long run as it will protect you for the whole of life.
Designed to cover	It can be arranged to cover a specific period of time, for which you need it. For example, while you are raising your children or paying off your mortgage.	It is designed to protect funeral costs, inheritance tax liabilities or simply to leave some money to loved ones when you pass. It is concerned more with covering the liabilities that are sure to arise on your death, regardless when that might be.

Level or Decreasing Life Insurance?

The two most common types of Term Life Insurance are Level Life Insurance and Decreasing Life Insurance.

Level Life Insurance

Remembering that Term Life Insurance policies last for a set number of years – Level Cover requires the same premium and provides the same lump sum to leave behind, if you die at any time throughout the term.

So if you chose a level of cover of £150,000 for example, and a term of 20 years, if you die at any point during that 20 year period, your beneficiary would receive the £150,000 lump sum.

Level cover is ideal for:

- Covering your salary
- Paying off an interest-only mortgage
- Protecting your family to allow them to maintain their standard of living
- To pay school or university fees

Decreasing Life Insurance

A decreasing term policy works well to protect a repayment mortgage. As the value of the mortgage debt decreases, so do the premiums and the level of cover. If allowing your loved ones to continue to live in the house and not have to worry about paying off the mortgage are your main concern, this is worth considering as the monthly premiums are subsequently less than a level policy.

Life Insurance and inflation

It is possible with some policies to protect the policy against the effects of inflation, to ensure your payout sum won't be worth less in real terms in the future, due to the rise in the cost of living. Your monthly payments would also rise along the same lines.

Do I Need Critical Illness Cover?

Life Insurance policies are there to cover your financial obligations, but only on the occasion of your death. Some will pay out early if you are diagnosed with a terminal illness where you are only expected to live less than a year. But there are other circumstances that would not trigger the Life Insurance policy payout, but would render you unable to work and thus maintain the same financial commitments. Such conditions as cancer, stroke, heart attack or a life changing disability could all be accounted for with Critical Illness cover.

The chances of a critical illness are higher than that of death, so Critical Illness is a separate policy and it will add to your premium. But there could be even more costs to pay for surrounding a critical illness than with death; as you will still need to maintain your own lifestyle as well as your loved ones, and perhaps make alterations to the home.

Do I Need Income Protection?

Income Protection cannot be packaged together with Life Insurance in the same way Critical Illness cover can, but none-the-less it is relevant as another form of cover for illness and injury.

Income Protection is designed to cover any medical reason why you cannot do your job, and provides a percentage of your wages (before tax) while you are unable to earn. This is paid in the form of a monthly income, compared to a lump sum with Critical Illness.





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