

Know Your Insurance

LIFE



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The 10 Most Common Life Insurance Myths

Life insurance. Just the term itself can put people on edge. People might think they are wasting time and money if they sign up for life insurance when they don't consider it necessary.

However, you should purchase life insurance because it will be essential sometime in the future. Life insurance protects your loved ones in case something happens to you by designating beneficiaries who will collect financial benefits upon your death.

Term life insurance is generally the simplest and cheapest form—you buy coverage for a specific time period, and it can usually be renewed, but premiums will increase based on age and health factors. All other types of life insurance are permanent, but there are a few varieties—whole life, universal life and variable life. Each type is slightly different, making each one ideal for certain types of people.

The ten myths listed below are some of the largest misconceptions individuals have regarding the necessity of life insurance. Read on to learn why life insurance is important to purchase.

Myth 1: I just simply don't see the need for life insurance.

No one is immune to having to pay back his or her financial obligations after death. If you have

a vehicle to pay off, or credit card or student loan debt that has accumulated, life insurance is a very beneficial option for you. If you die unexpectedly, no one waves a magic wand and makes those responsibilities disappear—you have to make the preparations to take care of them, or your family members will be stuck with the bills.

Myth 2: I'm young. Why would I start spending my money on life insurance now?

Being young also usually means you're more active and probably putting yourself at risk more often than the older generation by travelling, clubbing, hiking, boating, driving longer distances and staying out later. Your body may be younger and less likely to break down on you, but your high-risk activities put you in the same boat as older, less healthy people.

Myth 3: I'm a stay-at-home parent. There isn't a need to replace my income, since there isn't an income to replace.

If you're a stay-at-home parent and you pass away, your spouse may not be able to afford childcare for your kids. Or, if there is no partner in the picture, your relatives or friends might not be able to take care of your children in a way that allows them to attend the same school, with the same parenting style you used, etc. Also, when the time comes for college, you

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will want your children to have the option of affording the education they desire.

Not having an income and staying at home means you are saving money you would be spending from a spouse's income (or from any other source of income) on childcare and even on tending to your home. When you're gone, those things still need to be covered, and life insurance can do that for you.

Myth 4: My kids are all adults and my house has been paid off, so what do I need life insurance for?

Everyone has daily living expenses. Just because the home is paid off doesn't mean there aren't other financial obligations for which your spouse would be responsible, such as owning multiple cars, a boat, an RV or another large purchase you both made later on in your lives.

Also, consider this: If your spouse outlives you by 10, 20 or even 30 years, he or she might not be able to afford to stay in an assisted living centre when he or she can no longer take care of him- or herself.

You need to ensure that your spouse continues living with the same financial security he or she has with you now. You don't want your spouse to fear having to take care of daily expenses with only half the income.

Myth 5: I'm a smoker. Insurance companies won't even consider me.

Being a smoker doesn't mean you can't get coverage. Your premium will be a bit higher than the premium for someone who doesn't smoke, but it is more affordable than you may think.

Myth 6: Even if I quit smoking, I'll always be considered a smoker to insurance companies and be stuck paying a higher premium.

Most insurance companies consider you a nonsmoker if you've stayed away from cigarettes for at least a year. Even if the first six months were an accident because your spouse hid your cigarette packs, you can most likely get your premium lowered after a year.

Myth 7: Life insurance seems too good to be true.

It can seem that way, but it's not. Life insurance isn't like one of those free vacation spam emails—it's the real deal. As long as you keep paying the premium, you're covered, whether that is until your kids move out or until your home is paid off.

Myth 8: It is too much of a hassle to obtain life insurance.

Finding life insurance isn't as hard as you think. Getting a life insurance quote is quick and painless. All you need to do is provide basic information about yourself, including your height, weight, age and gender. Once you have a quote, you can choose the right coverage for you.

Myth 9: I get life insurance through my job. Why would I need more?

The life insurance you get through your job might not be adequate coverage. You should compare your family's living expenses with your coverage to see if it's sufficient to cover all of your family's needs. You should be thinking about future responsibilities as well, like being able to pay for your children's education after you're gone.

Also keep in mind, like all good things, your employer-paid coverage ends when the coverage limit is met—which is the maximum amount your employer will pay out upon your death. Most experts suggest obtaining coverage five to eight times your yearly salary. If you are only covered for half of that amount, what will your family do when their living expenses exceed that amount?

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Myth 10: My mortgage lender provides me with coverage. Isn't that enough for me?

Your mortgage isn't the only expense your spouse or children will have to take care of if you pass away—there are cars, college education, food, medical expenses, funeral costs—the list goes on. Life insurance can cover those for you.

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