

Life Insurance



What is Life Insurance?

Suppose you are the only earning person in your family. Think once about what will happen if you die all of a sudden? You can't guarantee that you will live for 30 or 40 years. So, after your death, your family's future will be in a confusion. Now you may ask, "Is there any to avoid this confusion?"

Yes, that's what Life Insurance serves for. You may not guarantee that you will live for 30 years. But Life Insurance guarantees you the best services for your family even after your death. Actually, Life Insurance is a kind of contract between you and an Insurance company that promises to give your family a death benefit after your death. According to Investopedia, Life insurance is a deal between an insurer and an insured in which the insurer guarantees payment of a death benefit to named beneficiaries when the insured dies. This makes a more clear concept about Life Insurance.

But are they going to pay you without any reason?

No. they aren't. For this, there is a requirement. That is you have to pay a fixed amount to them on regular basis. It can be monthly or annually. Basically, you need to pay monthly for this.

How Life Insurance Works?

Life Insurance working procedure is so simple. Mainly it works in two ways. The first one is premium and the second one is the death benefit. Some of the insurances have additional requirements like Cash value. So, we will be talking about this-

- Premium- It's the amount of money that you need to give the Insurer for having insurance as we mentioned above. If you have filled the required amount then after your death your family will get the beneficiaries.
- Death Benefit- Death benefit is the amount that will be provided after your death. With the passage of the Insurance plan upgraded. Now death benefit not only describes the amount after death but also the term benefit in the case of Term Life Insurance.
- Cash Value- It is a fixed amount or fixed premium that you need to give to the Insurance Company. You can take a loan against it but in that case, you have to pay some interest. Basically, it is applicable for the Life long Insurance only which we will be talking about a bit later.

What is The Importance of it?

Well, at the very first of our discussion we have told that. If we research it more, we will find many of the same. For example, think once about your retirement. How will you maintain the expenses after retirement? Don't think about it too much. Because life insurance is there. Yes, even after your retirement you can live it like your previous life. At that time, Individual insurance will replace your

family income when money is less so you can live your quality life. Another thing, that is about your loan. Suppose, you have made a loan to buy a car. But a few days later you got sick and can't be able to work anymore. That time the insurer will help you to make it right and that's how it helps you.

Types of Life Insurance-

There are some categories of life insurance. As we have given 3 examples above, you may guess it. The first one was about Death benefits which will be given after death. The second one was a bit different and the third one also. Based on these plans the Life Insurance is divided into 2 types mainly which comprise various sub-categories. So, let's have a look at them-

Term Life Insurance-

You may guess what it is. Yes, term life insurance provides coverage for a certain period of time. According to Insurance Barometer Report, it is the most affordable insurance. Not only that but also it is quite popular among the people.

You can have the money after a certain time. Again if you pass away during this period your family members can apply for it and it's totally tax-free.

Another thing to be mentioned here, that is if you don't want to raise money even after the expiry date then you can renew it and increase the coverage time. Some common terms, in this case, is 5, 10, 20, or 30 years' coverage time.

Permanent Life Insurance-

It sounds like what it is. It is for the whole life coverage. It is quite expensive compared to Term Life insurance. You may ask, "Why?" It is because of some additional requirements. These are-

1. As it gives the guarantee of the whole life, it requires a lot of money.
2. It builds cash value. We have mentioned above the Cash Value.

Basically, this type of insurance holds cash value which acts as a saving portion of the Policyholders' account.

As we have told earlier, there are some sub-categories. For permanent life insurance, these are-

1. Whole Life Insurance-

It is lifelong insurance that accumulates Cash Value that increases at a guaranteed rate of return. It also offers a fixed benefit. Here there is no term for premiums so the amount will be the same all the time.

2. Universal Life Insurance-

It's quite similar to Term life insurance. You can also call it a mixture of Term life and permanent life insurance. It's offering you the facility of altering premiums over time. It's quite flexible for you.

Without these, there are also some categories like-

a. Burial-

This gives a small amount as a death benefit. You can call it insurance with a small Death benefit. Don't think that much small. Despite its name, beneficiaries can spend it according to their wish.

b. Guaranteed Insurance-

For this kind of insurance, some period of time is needed. Normally, an insured needs to pass at least 2 years to get the Death benefit. But if the insured dies before finishing his family will not get the Death benefit. In this case, only the premium will be given with some interest.

How does life insurance work if you don't die?

A commonly asked question about insurance is "How does life insurance work if you don't die?". For the answer to this question, you need to be logical. As it's mentioned above, Insurance is divided into many categories. You have seen many of them offer the benefit before your death. So, you need not die in this case.

But another confusion remains here that is "What is the solution for permanent one?". Well, in that case, I need to remind you that you are not immortal. So, you

will die one day. After that time your beneficiaries will get the amount. Again, when you are becoming unable to give the premium to the Company, you can cancel the plan and take your money back with benefits.

So, before signing an Insurance you need to think about the future. You need to think about why you are doing it.

Are life insurance policies worth it?

Yes, it is. If you think about the Whole life insurance in which you are making some plan for your family, you will get the answer. Passing away of you will cause a great disaster in your family. At that time, insurance can help your family to lead a normal life though it can't fill the lacking of you. Another thing it is an effective way to increase your money.

Again the insurance industry plays a very important role in the economic development of your country. Insurance helps in raising capital by collecting small savings from the people. Guarantees compensation for human life, debts, and property. With such assurances, people can feel safe in their workplace and concentrate on their work. As a result, individual production increases. Thus, when individual production increases, national production increases. Increasing production improves the living standards of the people and brings economic prosperity to the country as a whole. For example life insurance, fire insurance.

Is Life Insurance a waste of money?

You can think that it is a waste of money. But is it?

No, you can't think it like that. Because it is not like waste money. Life insurance is mainly bought to save ourselves from the dark side of untimely death. If you die young who will see your family? Life insurance gives you a guarantee in this case. It will bear the expenses of your family.

But there is a but in it. What is that?

Mainly in some cases, it is a waste of money. It is not like you will not be paid. It is mainly about wastage. By this time I will be discussing those-

1. Not having a child or mortgage-

Life insurance becomes a wastage of money when you don't have any child or someone who will get the Death benefit. So, it becomes wastage of your monthly income which could make your life a bit better. You need to think in this case before signing an Insurance. Be aware of it.

2. Buying a Whole life Insurance-

Remember when you are buying whole life insurance you need to give more than term life. In this case, you will not get any benefit only your family members will get that. So, for this type of insurance, it becomes a headache for the insured. Why?

The first reason is it is a high salary consuming insurance. So, your current earnings will be deducted and normal life will be the worst one when you are existing. Think in this case.

This was all about life insurance. Actually, Insurance is all about our safety. You can think of it as a safety mechanism. But do we really need it? No, all the people don't need to buy this. It's all about your situation. You need to buy depending on your situation. Life insurance is not a must, it depends on your situation. It can be a wastage of money for you if it doesn't suit you. But it may be a good choice for someone else. So, please keep in mind and make your decision.