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A Guide to Understanding Life Insurance

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Some time ago, when Sagicor was relatively new to the U.S. life insurance industry, we published a company brochure entitled "A Guide to Understanding Life Insurance". Its purpose was to help educate the general public on the importance of life insurance; how life insurance works and the basics of the different types of available life insurance products. As Sagicor launches this blog, we thought this content would be an appropriate first entry. Please remember that this is only a general overview, specific products and product details should always be reviewed carefully and understood before purchasing.

What is life insurance?

Life insurance provides protection against the loss of income that results from the death of a wage earner. It can also be used to build savings for retirement. Periodically evaluating life insurance needs should be an important part of everyone's financial planning. Why do regular people need life insurance?

Anyone who has a family, supports a household, pays a mortgage or plans to send children to college can alleviate the financial burdens created by their death, if they have life insurance. The dreams they have for their loved ones won't die with them. Life insurance is one of the greatest gifts individuals can give to their family. It is also an exceptional value for the money.

How does life insurance work?

All life insurance policies work on the same basic premise; make payments, called premiums, to the insurance company, which guarantees to pay chosen beneficiaries a sum of money upon the death of the insured.

How much life insurance is needed?

Enough to provide for dependents' immediate cash needs and their on-going living expenses. As a general rule, individuals will require 5 to 10 times their annual income, depending on their lifestyle number of dependents and other sources of income. How much does life insurance cost?

The cost varies, depending on the amount of coverage and the type of life insurance being purchased, as well as, the current age, gender, health and lifestyle of the insured. Sagicor offers a wide selection of life products to help secure the future without breaking the budget.

What are the different types of life insurance?

Term Insurance is straight forward and often the least expensive type of life insurance coverage. It is usually purchased for a specified number of years, hence the name "term". Most term policies are renewable at the end of the term, although premiums will likely be higher. If the insured dies during the term, their beneficiaries are paid the amount of the policy. If the insured is alive when the term ends, there is no payout.

Whole Life Insurance combines a death benefit with a savings component. Part of the premium goes towards

building a cash value. Premiums are fixed and the policy will remain in force for the entire lifetime of the insured, provided the premiums are paid. When the insured dies, their beneficiaries are paid the amount of the policy. There are a variety of Whole Life policies to fit most individuals' needs.

Universal Life Insurance is a variety of Whole Life Insurance. It offers flexibility in the amount of coverage, rate of savings accumulation and payment of premiums. The premium payments can be decreased or stopped temporarily, as long as there is a cash value to cover the premiums before they come due. Once premium payments are resumed, the payor can increase payments to build back the policy's cash value.

Is it possible to borrow money against a life insurance policy?

It depends on the type of policy. Borrowing against a term policy is not permitted. Borrowing is permitted on the cash value portion of Whole Life and Universal Life policies. Loan rates are usually below prevailing market rates. Certain policies may not require repayment of the loan, however, any unpaid portion will be deducted from the policy's death benefit. Therefore, loan repayment is always encouraged in order to restore the policy's original value.

What are the risks to waiting to purchase life insurance?

Individuals may delay purchasing life insurance because they feel that they can't afford it right now. But in reality they can't afford to be without life insurance. Consider this; a family that is having a difficult time managing on their current income will have a much harder time facing the future without the salary of a main contributor. The fact is not having life insurance is a huge gamble with potentially devastating consequences. Life insurance can guarantee the security of a family's financial future.

So, now what?

Contact a Sagicor Agent. Sagicor is dedicated to providing the information and professional advice needed to make quality life insurance decisions that are right for each individual. Contact information is available on this website.