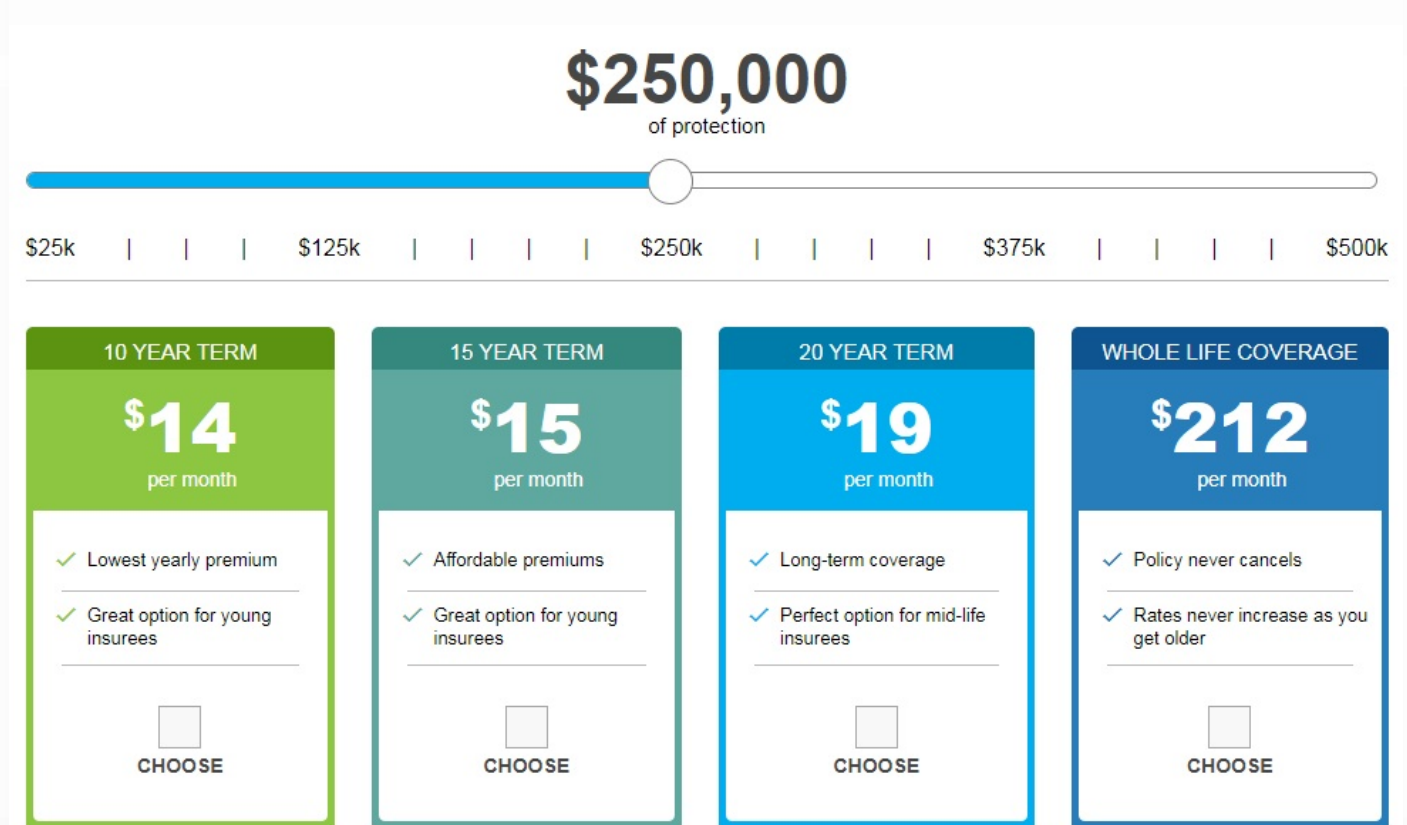


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Life Insurance Awareness Month - Part 2: The Basics of Life Insurance

BY [Sagicor Life](#) Posted [September 16, 2017](#) In [Life Insurance Awareness Month](#)

If you read [Part 1: The Cost of Ignorance](#), you may have gone to our [quote calculator](#) to check if life insurance rates were really that low (for a healthy, non-smoking 30-year old man). You would have seen a screen like this:



The first three quotes are in line with what we said in the last article... but the last one clearly isn't. The reason for that is because it is a **whole life policy** rather than a **term life policy**.

This is the part where most articles about life insurance launch into industry jargon and lengthy definitions. Since it's life insurance awareness month, let's keep it simple. Save the vocab quiz for another day.

How does life insurance work?

You pay a life insurance company every month and they agree to pay a lot more money to your loved ones when you die.

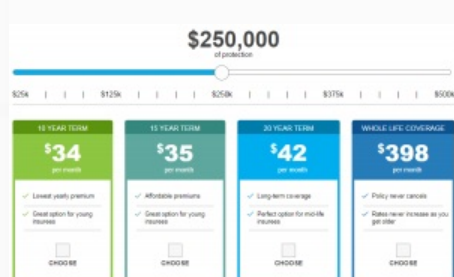
Why do whole life policies generally cost more than term life policies?

Term life policies only cover you for a certain period. If you are still alive at the end of the term, **the policy expires and no money is paid out.** Most people outlive the term, which is good news for both you and the insurance company.

Whole life policies cover you for your entire life. The higher cost is because the insurance company **invests your payments** so that your policy accumulates interest over time. Your loved ones are also guaranteed a pay out, unless you find a way to live forever.

So why would anyone get a whole life policy?

There's a lot of reasons, but the big one is: **whole life premiums never increase.** If we get a quote for the same person 15 years later, you can see that the whole life coverage has almost doubled to **\$398/month**. If he had bought it when he was 30, he would still be paying **\$212/month**.



Then why would anyone get a term life policy?

Term life policies are a **very affordable** way to get some peace of mind. You might feel you only need 20 years of coverage because that's when your children will be able to provide for themselves, for example.

In the worst-case scenario where you die within those 20 years... you're still getting a huge bargain for the financial security of your family. Using the information from the first image, you can see the math for yourself.

Maximum amount you pay for the policy: \$4,560 (\$19 per month for 20 years)

Amount your family receives for the policy: \$250,000

Which policy should I get?

It depends on your situation. Consider your debts, finances, and obligations as a whole when you think about buying life insurance. Some people may not even need life insurance yet.

Sagikor has a [calculator for how much life insurance you need](#) you can use if you're not sure where to start (Note: SagikorNow online purchase only available in Florida, Texas and Arizona).

Learned something new? Join us next week for more with [Part 3 – Real Life Stories](#).