Five Myths about Life Insurance by Denise Mancini

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Many people donâ€™t know enough about life insurance and therefore fall easy prey to myths and fallacies about life insurance that just arenâ€™t true. Not knowing what or who to believe, a lot of people are afraid of buying life insurance for fear of being duped by an agent into buying a policy they donâ€™t really need. What are some of the myths about life insurance you should guard against? Below weâ€™ve called attention to a few you should be aware of if you want to make the best life insurance decisions.

Myth 1: Everyone needs a life insurance policy!

Contrary to what agents would have you believe, not everybody needs life insurance! If you donâ€™t have any debts to pay, no dependents who rely on your income for their livelihood, and enough in your bank account to pay for your funeral and cover your liabilities, chances are you donâ€™t need life insurance at all. However, if you have a large estate which may be liable to estate taxes after you die, buying a life insurance policy could help offset those taxes that a legal heir of your property would have to pay.

If youâ€™re young, just married, have a house loan, student loans, or other debts to pay off, you should definitely think of life insurance to cover those crucial years in your life that you would spend paying off your loans, putting your kids through college and building a tidy, secure retirement fund for your future. Term life insurance policies are available for 5, 10, 20 or 30 years and therefore, perfectly suit that temporary time period when you have debts to pay, savings to build and a tight budget to work with.

Myth 2: People who donâ€™t earn, donâ€™t need life insurance

Because the major purpose of life insurance is to replace loss of income should the breadwinner of the family die, it may appear as if those who donâ€™t work, donâ€™t need life insurance. But not everyone who works gets a salary. Stay-at-home moms, for example, work at home. Their multi-tasking activities include caring for children, cleaning, cooking, driving their kids all over the place and running all sorts of errands but they never receive a paycheck at the end of the month. If a stay-at-home-mom were to die unexpectedly, you may need to hire a whole battery of people ranging from housekeepers, day care centers, cooks and nanniesâ€”all of which cost money. Salary.com valued the services of a stay-at-home-mom at around $135,00 a year. While her worth is priceless, her monetary value should be covered under a life insurance policy.

Myth 3: Term life insurance is better than whole life insurance

There is a variety of life insurance products to suit a variety of life insurance needs. Therefore, no particular type of life insurance policy is better than the other. The type you choose is entirely dependent on your personal needs.

If youâ€™re looking for temporary, but cheap life insurance, then term life insurance is what you need.

If youâ€™re looking for a policy that would offer you lifelong coverage then a permanent life insurance policy would best fit this need. Because of the investment component attached to it, it is typically 5 to 10 times the cost of term life insurance. While itâ€™s not the best way to invest your money since it does not yield the kind of returns you would expect, it does have benefits. You can borrow from the cash value of the policy without having to prove collateral, premiums never go up, and your children

can use the death benefits to offset your estate taxes.

Myth 4: Life Insurance through the workplace is all you need

Life insurance provided by your workplace usually is 3 to 5 times your annual income. This may not be enough to meet your needs. Think about it â€“ if you were to die today, would the coverage adequately meet your familyâ€™s financial needs?

Other disadvantages of workplace life insurance are that it is not portable. If you quit or lose your job, you lose your life insurance.

For the above reasons, itâ€™s always better to buy an independent term life insurance policy. Itâ€™s chea and ensures your familyâ€™s needs are met.

Myth 5: Life insurance companies will deny coverage to people with health problems

A recent survey showed that more than 90 percent of applicants received coverage. The truth is today, most people will find a policy to cover their life in spite of having blood pressure, diabetes, suffered through cancer, or been treated for a chronic disease. In fact, some life insurance companies specialize in certain health conditions and are more than willing to accommodate those who cannot find a regular life insurance policy.

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