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# What is Life Insurance Know About It?

by Elissa Joyce

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Life insurance is never something which people enjoy talking about as it's often morbid and involves confronting the only certain event in your life; death. But you shouldn't put it off as you want to make sure that your loved ones are cared for financially after you die, whether it is sudden or expected through illness over an extended period of time. But what is life insurance, and how much is this going to cost you?

Well there are two important things which come into play here:

a. The concept of life insurance itself

b. Finding out how much life insurance you need in order to ascertain the cost

## The Concept of Life Insurance

Life insurance by definition is a central pool of money, which is created by you so that it will be paid out to your family should you die. The amount you pay into this pool of cash on a yearly basis hinges on a number of factors which come into play, but the principle is the same as the only thing which differs is the amount you pay.

## A Life Insurance Calculator

If you are learning about life insurance through this article then you have probably never heard of a life insurance calculator before. A life insurance calculator is not a complicated concept to get your head around as all it is is a calculator which is designed to calculate how much life insurance you will need, and by implication how much you will need to pay out on a yearly basis. If you want to use one of these calculators then you will be able to find one of these on most insurance company websites free of charge.

## How Do I Calculate How Much Life Insurance I Need?

Calculating how much life insurance you need is not a difficult process and should only take about an hour at the very most, assuming you don't already have the required information on hand. In order to calculate this you will need to know a few things prior to actually using the calculator as these are the factors which will determine how much life insurance you really need.

First you must find out the cost of your death in the short term. Factors which are included in this area include the cost of your funeral and burial, unpaid medical expenses, and any outstanding debts. Determining the cost of your funeral and burial is not a difficult process because you can often plan both of these years before you actually die, but the others are more difficult as it takes some smart guesswork.

For example, it's wise to look at your family history and any previous health complications to predict how much any unpaid medical expenses may cost you whereas debts are more difficult as you have to try and plan financially which could take a while.

If you have made it through this difficult part then the next part is estimating how much replacement income your family may need if you die. The way to do this is to look at your income and then multiply it by the number of years you have left until retirement. You can factor in the average

inflation rate if you like, but it's often easier just to leave that out. Add this to the cost of your immediate death.

Add any costs such as college tuition to the pile as these are known as your additional expenses, but if you are not sure if you will need this then add it anyway just to be on the safe side. The final aspect you must take into account is the deductibles such as saving accounts and retirement funds.

Since you finally have a number you can now add the numbers into the life insurance calculator and you should have a fairly accurate number for your life insurance. If you want a more accurate estimate, though, then it's wise to visit an insurance professional.

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Elissa Joyce - About Author:
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