Importance of Life Insurances.

by James M. Smith

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Many people talk about life insurance and why it's important, but there are still many misunderstandings regarding life insurance policies. Many people aren't sure if they need life insurance, and if they do- how much insurance is necessary? What kind of insurance?

First of all, most people believe life insurance is taken out to pay for the burial expenses of the policyholder. And while this may be part of the reason people obtain life insurance; this is not what the insurance coverage is intended for! Life insurance is meant to replace the income that is lost by the policyholder's death, and to be used to pay for the needs of the deceased policyholder when you are no longer earning money to do so. If you have children or relatives who depend on your income, then you should have life insurance.

For young, single individuals with no dependents, there is really no need for life insurance. If you are an older individual with retirement savings or pension, it may not be necessary to have life insurance on top of the money that would become available to your spouse from your savings and pension.

Stay at home parents might think they don't need life insurance policies as they're not earning wages, but this is not the case. Consider how much it would cost to hire people to do the entire daily tasks you do- from day care, to housekeeping to financial management to grocery shopping, errand running and cooking. If you have a special needs family member, what would it cost to have special care arranged if you were not able to do it? Life insurance for a stay at home parent would allow the family to hire people in the event of your death to continue on doing the things you were routinely doing for the family.

As the wage earner of a family, your life insurance should replace your salary, plus pay off the mortgage, college tuitions for kids, or maybe career training for a spouse who might have to re-enter the workforce upon your untimely death.

Once you've determined you should have life insurance, your next step is to figure out how much life insurance you need. Having an estimated figure in mind will make it easier to select the appropriate life insurance policy.

Buying life insurance is similar to buying car insurance. You work with insurance agents who will help you weigh the options and make a decision as to the type of policy you should have. When searching for life insurance agents, you will want to talk to at least three different agents in order to make sure you get a good understanding of the options available. Shopping around is important.

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James M. Smith - About Author:
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