



## Life Insurance Benefits - Advantages of Life Insurance

It is a general belief that [life insurance](#) is meant only for those with families. It is not true that Life Insurance Policies like whole-life-insurance, joint-life-insurance, pension-life-insurance etc are essential for a family's financial security, but they are equally important for individuals. Term Insurance policies protect your financial resources against the uncertainties of life so you can protect your family's future.

People must plan for their future, not only for their dreams but the unforeseen work. However everyone believes that a tragedy that has happened to others will never ever happen to them, and this is the biggest mistake where people fail to interpret the uncertainties of life and plan for unforeseen events that may cause lot of trouble and agony for self and for the dependents.

[Life Insurance](#) provides the dual benefits of savings and security. Permanent life insurance provides you with a valuable death benefit at a time of loss and need. And a closer look shows that it offers much more than just benefits at the time of loss.

### Benefits of Life Insurance

Two of the most important [Benefits of Life Insurance](#) are following:

- Financial consequences of the insured's death and,
- Living benefits of the life insurance

### Financial consequences of the insured's death

Today you as an earning member of the family are taking care of all the needs that your family has. This includes paying rents, availing services for consideration, purchasing items for daily needs, entertainment and monthly expenses to pay for electricity, fuel and other items. School and college fees as well as paying of debts that you may have accumulated for purchasing assets such as home or vehicle. Have you ever considered how would family needs be catered to, if you are moved out of the equation? The financial consequences of death are devastating if the dependents have no other source of income other than what the insured person provides. Nothing can replace a spouse, a parent, child, brother, or sister. But, the practical and financial consequences of death are another matter. Without life insurance, surviving dependents may

suffer extreme financial hardship as a result of an individual's death. There exists the possible loss of future income as well as a number of sudden expenses that occur as a result of untimely death.

### **The Consequences Of early death**

Mortality statistics indicate that a certain number of people will die each year before completing their normal life span. Premature death of breadwinner is a big loss to the family and apart from loss of the love and care person provided, it is also tragic in many ways. The survivors apart from suffering deep personal grief also have to face some serious financial consequences because they no longer have the breadwinner's income to support and sustain them. The primary consequences are:

#### **Final Expenses**

We all are aware and talk about high cost of living, but realize about the cost of death and how expensive it can be only when we face the situation. Some of the common costs that have to be met when a person dies are:

#### **Funeral Expenses**

Funeral costs vary widely depending upon the type of service, area of the country and other factors such as religion practiced and rituals and ceremonies.

#### **Debts**

This could be another major cost. It includes automobile loan balances, credit card balances, promissory notes, bank loans and final expenses of the last illness - medical expenses that might not be covered by Mediclaim or health insurance. Accrued taxes may also be considered debts. This would include unpaid income taxes, property taxes, and any other taxes that were incurred but not paid.

#### **Security for the loved one's**

A premature death of family's bread winner leaves the family in disarray. There are living expenses to be met by the dependents, payments to be made towards the debts that may have been accrued as well as the expenses to raise the children. Irrespective of how many or what financial obligations an individual leaves at death, there's only one thing that will satisfy the dependents and that is money to give them protection and financial security. For this reason, a person who wants to relieve his or her family of these obligations will plan to leave them with money sufficient to cover most of the needs that he was able to fulfil while he was alive.

#### **Instruments to create savings for the family**

The following are some ways to build that estate to leave to your loved ones:

#### **Life Insurance**

A simple method of building financial security and savings is life insurance. It has the advantage of giving instant relief to the grieving family at the time it is most needed - when the insured dies. Another advantage is that it can be tailored to meet the full amount of obligations

at death. Life insurance proceeds are generally payable in full to the beneficiary shortly after the insured's death. How much is paid depends upon the death benefit of the policy, coverage and other factors as per the policy.

### **Savings in Banks**

It is common in India for one to deposit money in a savings account at regular intervals or in post office accounts. These savings can provide sufficient funds to meet many obligations. There are, however, a couple of problems with savings accounts. First, since money can be easily withdrawn, the savings balance does not increase and is often maintained at low levels. A second problem is that one might not live long enough to accumulate sufficient savings to handle all obligations at death. So savings, while a good practice, may not be absolutely relied upon to create an adequate fund pool to cater to long term family needs. Apart from this the rate of interest in saving accounts is low and the interest is taxable thus making it less attractive compared to other options in the market.

### **Investments in Equity and Bonds**

Investments in stock markets can also provide significant returns. Many people have created additional savings through securities (such as stocks and bonds) and real estate. But let us not ignore that fact that many people have also lost money to investments that either failed or did not meet expectations. Return of investment in markets are not guaranteed and there's always an element of risk associated as the markets fluctuate from time to time due to local or international conditions. Similar to drawback with savings, one might not live long enough for an investment program to create a large enough funds and in some instances, these investments may not be at maximum value when needed.

### **Life Insurance As The Solution**

If people could predict the future, most would rush out and purchase as much life insurance as they could obtain. Life insurance can provide the money a family needs for continued security when it needs it the most. That's the most important job of life insurance. It provides a new source of cash and income so a surviving family can continue to live in comfort after the death of its primary income earner.

### **Benefits of Life Insurance before death**

So far we reviewed the death benefits of life insurance - the benefits the beneficiaries (nominated member of family) will receive when the insured dies. Another important advantage of life insurance is also to provide benefits for the policyowner or insured while he or she is living. Living benefits are another way life insurance can help people.

### **Cash Values**

Some types of life insurance policies that last for the entire life of the insured are called permanent insurance. These policies, in addition to their death benefit usually accumulate cash values. Prior to the insured's death, this cash value belongs to the policyowner and can benefit him or her in many ways.

### **Withdrawals And Loans**

Some permanent life policies permit withdrawals from the cash value-money to be used by the policyowner for any purpose. The amount withdrawn, however, is generally subtracted from the policy's face amount (the death benefit).

The policyowner can also take out loans from the insurance company using the policy's cash value as collateral. The loans must be paid back or the amount of any outstanding loan and interest will be deducted from the policy's face amount when the insured dies.

### **Retirement Planning**

When people get older, they may begin to look at their life insurance policies in a different light. What had provided protection against the financial consequences of premature death may now be used to help them enjoy their retirement years. The cash value can be used as additional income during retirement (e.g. to help pay for that trip of a lifetime they've been planning to take, to buy that new car or to help provide college education for grandchildren). It's wise to remember, however, that life insurance is not an investment. Its main purpose is to provide a death benefit. There are other and possibly better ways to save for retirement, but life insurance is unique in that it can offer payment of the full face value of the policy when the insured dies while accumulating a cash value during the insured's lifetime.

### **Education Needs**

Similar to retirement needs, cash values may be used for educational needs. Funds could come from a policy taken out on the life of an infant with cash values accumulating until he or she reaches college age. Or it could be part of planning for the future with a policy on the life of one parent or perhaps both parents. The policy protects against the insured's premature death and, in the event he/she lives on, can provide cash values to help pay college costs.

### **Living beyond policy period and retirement**

During 40 or more years of working, a large amount of money passes through an income earner's hands. Most people's earnings levels do increase over time, through raises, promotions, fringe benefits or incentive plans. And with each increase, they gradually become accustomed to a higher and higher standard of living.

Some of the expenses are made towards:

- Purchase a larger home;
- Dine out more often;
- Buy new cars and other luxury items;
- Provide their children or grandchildren with college educations; or take expensive vacations.

As people reach old age and retire their earnings diminish. Compared to all the official salary and perks they used to get, now they have to depend only on the pension from government job and other sources in private sector. Despite knowing the uncertainties and limitations with old age, many people save very little for the future; instead, they live for today and let tomorrow take care of itself. Financial problems eventually become severe when people attempt to retain the life-style they enjoyed when they had more income. During such time they are forced to face

reality; the money in savings and other instruments won't stretch far enough or forever. They have to either take a part-time job or lower their standard of living considerably.

### **Life Insurance As The Solution**

[Life insurance](#) products can offer a practical solution to the retirement need. Through the benefits of life insurance, a retired couple need not become dependent on outside sources for their financial care. Life insurance can provide cash or lifetime income which can be a second source of income over and above their pension and other savings and interest and instruments they may have planned and invested in.

### **eMediclaim Perspective**

eMediclaim perspective is that [life insurance](#) can help you create a sound financial strategy for your family, future generations and for today while you are living. If you have never given this topic a serious thought, it is time to talk to a financial professional to see how life insurance can help you fulfill your hopes and dreams or contact us and we would guide you on the benefits and advantages of securing a future that is safe and helps you to plan for a good living.

### **Read More:**

- [ICICI Bank - Why do I need life insurance?](#)
- [The Benefits of Life Insurance](#)
- [Life Insurance Council : Advantages of Life Insurance](#)
- [Wikipedia Life Insurance Death Proceeds](#)