

# **THE VALUE OF HAVING A LIFE INSURANCE POLICY.**

**Q1: Why should persons buy life Insurance?**

**A**

Simply put while we work to achieve our goals there are persons who are dependent on that income support be it children, a spouse or even Granny who grew you. If someone dies prematurely and has life insurance, his/her insurance can provide some relief by replacing the income of the bread winner which can be used to provide food, clothing, shelter education and the other things the bread winner would provide. Life Insurance creates a pool of funds for all those who decide to pay into it. No one knows when death will come and to whom, so therefore whenever a person participating in the pool dies, there are funds available for those left behind, so life can go on.

The life Insurance concept comes from a fund created by the families of Roman soldiers many years ago who had gone off to war, so the monies from the pool could be given to the widows and orphans of the families whose father died in the war.

**Q2: What are the various additional needs covered by the Life Insurance product other than providing protection when one dies?**

**A**

Critical illness to include: Cancer, Stroke, Heart Attack, Paralysis, protection from Disability, Accidents, Ectopic Pregnancy etc.

**Q3: Why do family members wish that their loved ones had bought life Insurance?**

**A**

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- a. When a loved ones dies and there is the need to pay for the funeral costs and all the other expenses to include outstanding taxes, hospital bills, paying for entertainment of the friends who come to visit, repass expenses.
- b. When the credit card bills must be paid off and the loved one either dies or becomes totally disabled and has no income to clear the outstanding balances.
- c. When a businessman dies and his business partner was the key financial brains behind the business. He now needs to replace this knowledge with a similar competent person. If he had bought Keyman Insurance that fund would come into the business and provide the funds.
- d. When the partner in the marriage dies leaving behind a large mortgage balance. The Creditor Insurance that was bought will now come in to clear the mortgage, hence saving the family from Foreclosure and financial ruin.

## **Q4: How does a life insurance policy help when a person dies and there is a will that needs to be probated?**

**A**

A will must be probated in the Courts before the instructions can be carried out as mandated by the testator. This requires money to pay legal fees, transfer taxes, stamp duty, outstanding property taxes, outstanding wages for staff members. In addition, caveats need to be removed from properties.

The funds from a policy bought by the deceased for this specific purpose will now be available to the Executor and or beneficiary to be used to clear these bills. This will prevent the beneficiaries having to sell off the assets in the Estate to clear bills

## **Q5: Do businesses need Life Insurance services to survive?**

**A**

Yes, partners in business need insurance monies to purchase the percentage of their partners business when one or more partner dies. This can be covered by a "BUY, SELL" Agreement.

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When the human brains behind a business dies, you need money. Hence insurance can be bought on that key person called Keyman Insurance. This money is now available to be used to go head hunting to replace that brilliant CEO that just died and thus help to maintain the stability and continuity of the business.

**Q6: Can a life Insurance policy provide income in one's retirement years?**

**A**

- a. Yes, there are policies being sold today that are classified as Variable Insurance Contracts. They have both a guaranteed and an unguaranteed element to the same policy. The guaranteed portion (i.e., the life insurance face value payable to the beneficiaries at death) hence ensuring that even if the policyholder dies prematurely the intended investment income is materialised.
- b. If the policy holder lives beyond his/her working years then the values built up on the policy can be paid out to meet his/her financial needs at retirement.
- c. An insurance policy while structured to provide cash if the insured dies and retirement income if the Insured lives to see retirement, the values of a Life Insurance policy can also be used as an emergency fund to deal with a lot of financial issues which may arise in one's life time such as collateral, guarantors or credit report. **Therefore, it is important that these funds are paid back into the policy!**