

## How not to waste your money when you buy an insurance policy



So you purchased an insurance policy. Now your family is protected if something happens to you. Now let's fast forward two years. Your hours have been cut back on your job. You need to lower your expenses. "Hmmm you think, I should cancel my life insurance policy. I just can't afford it any more." So you call and cancel your policy. Two years of premiums down the drain. You were protected but now your not. How can you prevent this from happening to you?

Why do so many people cancel their life insurance policies? One reason is they view it as a luxury only to be maintained if they can afford it. Another reason is they take out a policy with a premium that's not sustainable for their circumstances. A third reason is other than leaving behind money when they die most people do not have any personal reasons for buying a policy.

So if you don't want to waste your money when you but an insurance policy you can follow the tips below.

- First decide how much you can afford to pay for insurance each month at your current income. Divide that in half.
- Make a list of the things you definitely ***need*** to cover if something happens to you. These would be the things that would directly affect others if something happened to you today. This could include anything that needs to be paid immediately upon your death that you do not currently have enough money in your bank account to cover. This could include funeral expenses, joint credit accounts, any loans that you have guaranteed by a cosigner, if you have minor children money to cover living expenses until they reach adulthood especially if you are a single parent. If you have elderly parents who depend on you financially you may also want to consider leaving something behind to assist them with their living expenses.
- Make a list of things you ***want*** to leave behind should something happen to you but are not necessarily considered a need. This list is a sample and

is different for each person. It could include things such as money for college for your children (since student loans and financial aid is available). If you want to leave behind lump sums of money that do not fill an immediate need for your family members, money to support a charity etc.

- Next look at your list of wants. Put each item in order according to importance. Estimate how much money you would need to leave behind to pay for each thing. Find out how many years you need to have the policy for each item individually. For example you may want to have a whole life or other type of permanent policy for final expenses, indefinitely, or until you have enough money in the bank to cover your own expenses. If you have a mortgage that you are jointly responsible for but it only last for the next 15 years get a policy that will cover you just for that term. You can take out two policies. One to cover the things that you need to cover indefinitely without a time limit and another term policy to cover expenses that will go away in time. When the term policy ends you will still have your permanent policy which you can choose to cancel at any time that you feel the coverage is no longer needed.
- Next look at the list of your wants. You can take out another policy to cover you wants. Put them in order according to their importance. Assign each one a specific dollar amount. Decide what type of insurance you want to cover it with? Term or whole life insurance. Remember whole life is more expensive than term.

By following these guidelines you will be designing your policy based on your needs. When you find yourself in a financial bind you can cancel the policy that you created to cover your wants. Then you will still have the coverage for the things that you need.

What if you feel you can no longer afford the policy that covers your needs. Review your list of priorities. Ask yourself if your amount of indebtedness has decreased. Recalculate living expenses for your dependents. Your children may be older and will need to be supported for a shorter period of time. Recalculate the amount of coverage you need. Call your agent for advice. Many companies will work with you if you need to reduce the amount of coverage that have. If you drop your coverage and seek a cheaper policy else where you will have to go through underwriting and run the risk of not qualifying especially if there has been any change in your health.

These tips will help you to get a policy that is sustainable for you and one that you will be less likely to cancel.