

What Is Level Term Assurance ?

The name gives it away. It's term assurance, as you only get a payout within the set term e.g. 18 years. It's level, because the payout you get is always fixed.

Level term assurance thus guarantees a lump sum payout upon death within a fixed time e.g. £150,000 if you die within the next 18 years. It's the one policy you hope won't pay out!

How Much Cover Do I Need?

The cover and ensuing cost depends on three things.

The higher the payout the more it costs. The payout should both cover any outstanding debts and provide dependants with a reasonable standard of living. Do check though whether your work place offers you 'death in service' benefit. If it does, deduct the amount it pays out from the total cover you need.

Cover may also be needed for a non-working spouse, especially when children are young, as if they died the main earner may need to stop working. A very rough rule of thumb for either parent is ten times the highest earner's income.

Level term is important protection for those who have children or spouses who'd suffer financial loss if you died, but affordability also counts, so if the appropriate cover is too costly, it's better to have some than none if it's relevant.

The shorter the term the cheaper it is. A policy covering children should last until they finish full time education, for a partner until the earner reaches pensionable age. Don't feel obliged to cover a round number of years e.g. policies may be for 17 years.

The less risk you'll die, the cheaper. The amount paid increases with the likelihood of death within the term – age, health, being a smoker, having a risky occupation, can increase the price.

Couples can do it together or apart. Couples can go for either separate or joint policies which pay out on the first death. However a joint policy would only be suitable if you need to pay out the same amount for both partners. Even if a joint policy does look suitable, it's worth getting quotes for standalone policies anyway, as it's often cheaper.

If you die the life assurance forms part of your estate. This could mean you're hit with Inheritance Tax but in many cases you can avoid this by writing the policy in trust – which means the pay out goes direct to your dependents, avoiding inheritance tax.

This is relatively easy to do as with most insurance policies they include the option (and papers) for writing in trust directly, at no extra charge.

Please contact us to arrange a meeting or fill in our on-line enquiry form.