

Life, Health, & Wealth

What You Should Know Before You Buy Life Insurance - Part 2

Life insurance is an essential part of a sound financial plan. Choosing the right coverage and committing to this long-term investment are key factors in ensuring that your family is protected when you are no longer here to provide for them. When you're buying life insurance, it's important to consider your personal and financial circumstances and your future expectations. It's also important to consider the following:

Choosing Your Beneficiary

As the owner of your life insurance policy, you determine the person or entity to receive the policy's cash benefit at your death. You can name one or more persons, a trust, your favorite charity, or your estate. You can also name contingent (or secondary) beneficiaries in the event your primary beneficiary dies before you. Beneficiary designations are either revocable (can be changed at any time without the consent of the beneficiary) or irrevocable (cannot be changed without the consent of the beneficiary). Depending on your choice of designation, certain options in the policy (e.g., surrendering the policy for its cash value) may or may not require the consent of the beneficiary. Special

consideration should be given if you wish to name your children as beneficiaries as those under age 18 cannot legally give written consent to any changes in the policy.

Providing Accurate Information On Your Application

Entering into any agreement requires transparency and full disclosure. Your life insurance company has agreed to provide specific coverage for you based on the information you provided at the time of your application and the medical examination you will likely undergo as a part of the underwriting process. Misleading or incorrect information on your application can result in your policy being terminated. If your death is the result of a health condition or risky hobby

(e.g., skydiving) that you did not disclose in the application the insurance company may deny the claim. This means your family will not receive the important financial benefit you planned for them.

Reading and Understanding Your Policy

An insurance policy can be a fairly complex document that details your coverage, exclusions, and premiums using legal and insurance terminology you might not be familiar with. Some insurance plans have benefits that change at certain points in the life of the policy and you should be aware of any future adjustments to your coverage. As with any contract, review your life insurance policy carefully and ask your agent for clarification if

you don't understand any part of the document.

Reviewing Your Life Insurance Coverage Every Few Years

Your family, career, and financial responsibilities will change over your lifetime. Marriage, a new home, children, retirement – these life-changing events call for a review of your insurance coverage every few years. Your new economic circumstances, even inflation, may indicate that you need additional life insurance coverage. It's important, however, that you don't surrender one policy and buy another without a thorough review of the new policy. Remember, your age and health will affect the cost - or accessibility - of future coverage.



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