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What Do I Get With Endowment Life Insurance?

There are many choices when it comes to taking out life insurance; one option you may want to investigate is endowment life insurance. This type of plan is slightly special in what it offers. Whereas normal life insurance plans only offer death benefit, this plan will pay money out whether you pass away or not.

In some respect, an endowment life insurance policy can be likened to a term life insurance policy. That is to say, that it will be limited to a specific amount of time, generally 20 or 30 years. The difference is that an endowment life policy will pay out whether you pass on during this period or not. It is a win-win situation as you will receive the cash if you live out the years until the policy expires. The term life insurance option does not pay out if you reach the end of the time alive.

Another advantage of an endowment life insurance plan is that you can decide to cash it in before the policy expires. This commonly means that you will receive less money than you would have done if you let it mature, but you can receive the money back at a time that you most need to use it. For instance, if you cash in a policy after 15 years and it is due to run for another five, then you are likely to receive approximately half of the total that would have been paid out at the end of the policy. The exact amount of money you receive if you cash in will depend on the arrangements you have made with the insurer.

The main disadvantage of this type of plan is that it ordinarily charges higher premiums than that of other life insurance policies. You can purchase a low cost endowment policy but although the premium is lower, the cash value generally deteriorates throughout the period of the plan.

Another viable option is to invest in a return of premium insurance plan. This is the new kid on the block but will prove popular with many people as it allows you to benefit in either circumstance. The policy follows the pattern of having a set period for the policy and you will pay the regular premiums to the insurer. If you pass away during this period, the insurer will pay out the money to the beneficiary named on the policy.

After the period has ended and you are still living, the insurer will pay back the premiums in full to you. The amount will be 100% of what you paid in as these payments are tax-free. If you decide to terminate the return of premium policy, then the insurer will pay back a partial amount of the money that you paid each month. With this insurance plan you can basically hedge your bets.

When you apply for life insurance there are several elements that determine the amount of premium that you will pay to the insurer. One of these elements is your age; it is likely the older you are, the higher the premium amount you pay. This is why it pays to take out life insurance when you are younger. Secondly, factors such as being a smoker can mean that you will pay more each month. Non-smokers tend to receive lower premiums because they are keeping themselves in good health.

All the information you need about endowment life insurance policies or return of premium plans can be found by contacting a financial expert of an insurer directly. Remember to ask all the questions you need to make sure you have all the necessary information to make an informed decision. If you have made up your mind which insurance policy is best for you, many providers have websites where you can fill in a form very quickly and easily.