

7 Important Tips For Buying Life Insurance For The First time

7 Essential Tips for First-Time Life Insurance Buyers

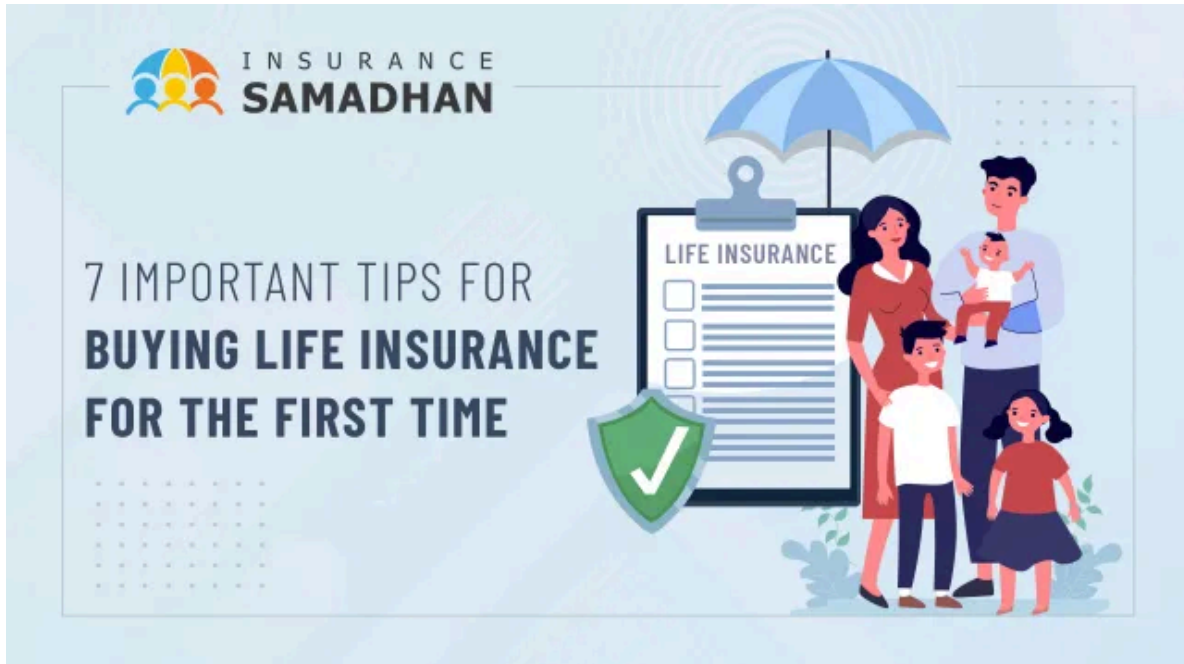
Congratulations, you are making the right decision. You need to buy life insurance if your answer to questions below is YES:

Q1: Are there dependents on your financial income? Would there be a change in the lifestyle of those in case of your death?

Q2: Do you have financial liabilities like loan/business loan?

Q3: Do you need financial security in case of disability or critical illness?

Q4: Do you know that you shall become old and need money for old age?



Insurance purchase is a critical decision because it requires regular commitment to pay a premium. First, you need to understand Rule of 30 by 9 as stated below:

Rule of 30 by 9: One must save 30% of annual income towards saving for future responsibilities. If we save 30%, then we shall be able to maintain the same lifestyle forever. Out of 30%, 9% should go towards the premium of insurance to cover the risk faced by you. For example, if your take-home is Rs 10 lakh per annum then assume you are earning Rs 7 lakh only. You save Rs 3 lakh for future responsibilities out of which you can pay a premium of Rs 90,000 towards all insurance like life and health.



Once you know the money allocation towards insurance then remember 7 tips to buy life insurance for the first time:

You are exposed to 4 major risks i.e. Risk of dying early, financial risk of being hospitalised, risk of getting disabled, risk of suffering from critical illness. You need to buy a term plan for a minimum of 10 times of your annual income along with the rider of accidental disability and critical illness. Also, buy a family health insurance for a minimum Rs 5 lakh to cover hospitalisation expenses.

Buy from a reputed insurer who has a large customer base. Insurance is the business of a large number. Ask questions for every eventuality. But remember, Insurance is a legal contract between you and the insurer and intermediaries are only a sales channel. So check all promises by calling the call centre of the insurer.

Insurance is a contract of good faith hence declaring all facts with honesty. Facts about occupation, income, health, habits are critical. Do not hide any facts, even if you are advised against it. Once again, call the call centre to verify whether declarations were made or not.

Do not overcommit premium if you cannot afford each year. Insurance is a contractual obligation and do not buy to show off that you can pay a large premium. Insurance is always sold and never bought hence one falls into the trap of status trap and commits a higher premium.

Pay insurance premium only on annual mode which is 8% cheaper than the monthly mode.

Read Policy documents carefully. If you are not satisfied then you can cancel the policy within 15 days of receipt of the Policy document.

Last but not least, buying insurance is your responsibility because you love your family hence share the policy details with family. Share all details with them and they should keep it with them.

Keep reviewing your Insurance Portfolio with life milestones like marriage, childbirth, career growth, and retirement age.

Original Source:-

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