

We don't have a mortgage so do we need life assurance?

In most but not all circumstances life assurance is only necessary when you don't have sufficient capital or income to survive without the deceased being around any more, although a French policy known as an "Assurance Vie" can be of great benefit whatever your circumstances for inheritance tax planning especially if you are intending on leaving an inheritance to a non blood relative. However the average thirty/forty something couple with children are unlikely to have sufficient capital to deal with the prospect of one of the parents dying even if the house is paid off by the policy with the mortgage, so they are likely to need some protection against something happening to one of the parents. For example if the father earns €50,000 each year, and the spouse works a few hours a week part time and looks after the children. If the father was to die she would be €50,000 a year worse off, does she need life assurance? I think we can see what the logical answer is going to be. What if it was the mother died before the father? He would now have to arrange daytime child care for the children, as well as probably also needing to pay for some assistance with the day to day maintenance of the home so there is also a strong case for covering the spouse as well.

The fact remains that very few people are planning on dying right now so why introduce another bill? Let's look at some numbers. How much does it cost to cover an average family car for a 35 year old? Before being bombarded with quotes, let's say it's €500 per year. What benefit is being covered? Around €15,000, so for €500 p.a. one receives €15,000 cover. How much buildings insurance and contents cover could you get for €500 p.a.? I will guess at €150,000 buildings and €50,000 contents. This seems to be a better deal than the car at least. With both of the examples above, the choice is not really given as you must have car insurance and most people want the security of having buildings and contents insurance. Now let's take our couple and see how far the €500 p.a. will go to give them some life assurance. Assuming a fixed term of 20 years until their children are off their hands, this could buy both of them cover of over €150,000. In reality, this probably is not enough to cover their needs but just goes to show what benefits apply to different types of policy.

There are a number of different types of life assurance policies like 'Whole of Life' policy which are an investment linked life policy that has a cash in value, the benefit of this would be that you have a cash lump sum if you decided you no longer required the cover. Another option would be 'Term Assurance' policy which provides specified amount of life cover, for a specific period and premium agreed at the start of the contract. The main difference with this type of policy is that it does not have an investment link to the policy so has no cash in value, however because of this the premiums are traditionally more competitive. Both of these options can be funded by regular or single payments but the cost need not form a large part of your budget, and should be seen as essential as the premiums you pay on other insurances as your car is unlikely to pay any tax bill for you!

This information is only provided as a guide and, if you need assistance in this area you are strongly advised to seek the help of a specialist in this field as each individual case is different.

If you have a question, want to arrange for a free financial review or just want further information I can be contacted on +33 (0)325461631, via my website www.financialexpat.com or via e-mail steven.grover@spectrum-ifa.com

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