**Personal Life Insurance—Simplified for You!!!**

Contrary to popular notions, one does not need personal insurance only after death. Proper and adequate insurance is as much important for the living as it is to support the dependents of the dead. It would be quite safe to say that personal insurance actually covers both the risks of “living too long” as well as “dying too soon”.

The rising cost of living propels the need for insurance to cover any unforeseen contingencies or losses. Increasing cost of living implies that the average income required by an individual or a family unit is forever increasing, thus propounding the need for Income protection insurance, which ensures that in the rare occurrence of the loss of income of the primary bread earner, the minimum income needed for the sustenance of the individual or the family continues to flow in.

This need for minimum sustenance income becomes all the more critical with the death of the primary bread earner as then the bereaved family also needs emotional and psychological compensation along with an assurance that their future dreams and aspirations would be fulfilled.

The woes of modern living practices can be easily blamed for the deteriorating health of the living, thus increasing the cost of healthcare, which erstwhile became significant only during the post-retirement period. The situation has become so acute that nowadays it is next to impossible to even get oneself admitted in a hospital or clinic without adequate health insurance.

In addition to income protection insurance, life insurance and health insurance, modern man has realised and accepted the need to insure his other material possessions as well. For this reason, it is very common for an individual to spend his hard-earned money to pay the premiums for property insurance, jewellery insurance, home and contents insurance and automobile insurance.

It would be beyond the scope of this article to describe and discuss all the various types of personal insurance types that are available in Australia or are popular amongst its people. It is for this reason, that I would be concentrating only on the most common type of insurance, which is the personal Life Insurance and provide you a general overview of the same.

Some other common types of personal insurance are:

1. Income Protection Insurance
2. Personal Accidental Insurance
3. Health Insurance
4. Personal Disability Insurance
5. Trauma Insurance
6. Travel Insurance
7. Home and Contents Insurance
8. Property Insurance
9. Jewellery Insurance
10. Car Insurance

Whenever, we talk of insurance the first thing that comes to our mind is personal **Life Insurance.** Life Insurance refers to the kind of policy which pays out a lump sum to the family of the policy holder in the event of death or terminal illness. This sum of money is extremely critical for happiness and sustenance of the dependents of the policy holder as it forms the foundation of their today and tomorrow.

Every individual during his lifetime tries to earn the maximum possible money for his or her family and strives to provide them the best material comforts that money can buy. We do not want to deprive our dependents of these material comforts even when we are not around and for this reason, adequate Life Insurance coverage become imperative.

There is no simple answer as to how much Life Insurance cover can be considered enough. Although the amount of Life Insurance cover required varies from one family to another, the amount of debt that the individual has accrued in his lifetime should be the basis to calculate the total Life Insurance cover required. To this, one should add the cost of education of dependent children, healthcare requirements of dependent spouse and parents and most importantly, an average estimate of monthly household expenses as well.

The following steps can prove useful while calculating one’s total life insurance requirement:

1. Add up all personal assets, such as non-residential property (if any), shares, bonds, fixed deposits, mutual funds, saving certificates and existing life insurance (if any). This summation is denoted as “A”.
2. Add up all debts, such as home loan or mortgage, personal loan, car loan and credit card debt. This total is denoted as “L”.
3. Add up approximate cost of education of your children, cost of marriage of your children, approximate funeral expenses and approximate estate expenses. This summation is denoted as “C”.
4. One can calculate a ballpark Insurance cover by the following simple formula-> Total Insurance Cover = (L+C)-A

Another simple way of calculating how much life insurance is enough to ensure the future of your family is to total your average monthly household expenses for the last 12 months and multiply it with your remaining work life. For example, if your average monthly household expense is $10000 and you have 22 years till retirement, then ideally you should have –

Insurance cover = Yearly Household Expenses \* Years till retirement.

Just as there is no simple answer to the question “how much insurance is enough”. Similarly, there is no standard answer to the question “how much will life insurance cost”. The premium payable for Life Insurance depends on a larger number of factors such as type of life insurance plan selected, amount of life insurance coverage applied for, age and sex of the policy holder, place of residence of the policyholder, general health conditions and past medical history of the policyholder as well as his immediate family, occupation, choice of physical activities and hobbies, intention to or record of foreign travels, along with a lot of other factors as well, which vary from one insurer to another.

The types of Life Insurance that are available in the Australian market are also as varied. The most common types of Life Insurance products, which have a Death benefit attached to them, are as follows:

* Term Insurance- Term Insurance is also known as Pure Term Life Insurance and is the most common type of Life Insurance chosen by the Australian people. This type of insurance pays out a lump sum only in the case of death of the policy holder and has no survival benefits, if the policy holder lives beyond the maturity period of the policy.
* Endowment Insurance- Endowment plans are life insurance policies which come with a survival benefit along with the customary death benefit and the policy holder gets a lump sum, even if he survives the maturity date of the policy.

Whichever, life insurance policy one might choose, he or she would do a whole world of good to his or her dependents, if they at least ensure that their debts do not live beyond them.