SunLife

Guide to over 50s life insurance

This guide explains how over 50s life cover works. It can help you decide if this kind of insurance plan could be right for you. Please bear in mind it is not financial or legal advice.

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Please check our site
for any updated versions.

Fairer Finance
APPROVED DOCUMENT
Clear design Simple language

Contents

What is over 50s life insurance?

Over 50s life insurance is a type of life cover for anyone over 50. You pay a monthly premium and the policy pays out when you die. This money is called ‘the payout’ or ‘the sum assured’.

The money is paid to loved ones and can be spent however they wish. It is often used to help cover funeral costs.

Note that in this guide, over 50s life insurance describes a type of cover known as ‘whole of life’. However, term insurance is another option that may be suitable depending on your needs.

How does over 50s life insurance work?

There are **four main factors** that affect how over 50s life insurance works.

1 Guaranteed acceptance with no medical

You can take out over 50s life cover without answering any medical questions. You are guaranteed to be accepted. Some types of over 50s insurance products might offer better rates if you do answer some medical questions or reveal whether you smoke. Other types of life insurance might ask you to complete a lifestyle questionnaire. Some may also ask you to have a medical exam. All of these may affect your acceptance, premiums, or payout.

> “You can take out most over 50s life cover without answering any medical questions. You are guaranteed to be accepted.

2 Fixed monthly premium

With most over 50s plans, the premiums are fixed. ‘Fixed premiums’ means they never go up. If you take out a plan today for £10 a month, that is the amount you will continue to pay. The insurance company can’t increase your payments.

You’ll be paying the premium for a long time. Potentially for the rest of your life, or until you reach a certain age. You should consider how much you can comfortably afford to pay each month.

There are some providers that may offer increasing premiums. This is called indexation. This means both the monthly premium and the payout increase each year. It is important to be clear about premiums before you take out a plan.

3 Guaranteed cash lump sum

Over 50s plans pay out a guaranteed cash lump sum when you die, no matter how long you live.

You choose what payout you would like when you take out the plan. If your payout is fixed, it never changes, so you know exactly how much it will be when you die. Depending on how long you live, you may pay in more than will be paid out.

The bigger you want the payout to be, the more you will need to pay each month as a premium.

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Over 50s life cover is known as ‘whole of life’ insurance because it covers you ‘for the whole of your life’. Other types of insurance only pay out if you die within a certain time period. This kind of insurance is called ‘**term life insurance**’.

4 Your age

To take out over 50s life insurance, you usually have to be aged 50, although some plans are available from age 49.

There’s also usually a limit on how old you can be when you take out cover. This changes from insurer to insurer. Most stop offering cover once you reach 80 years old.

The older you are, the more your monthly premiums will be for the same payout.

What are the pros and cons of over 50s life insurance?

Like all insurance policies, there are pros and cons to this type of life cover. Let's explore these in more detail.

Pros

Guaranteed acceptance – With most plans, you won't need to answer any medical questions or pass a medical exam.

Guaranteed cash payout – When you take out your plan, you'll know exactly what will be paid out when you die.

Fixed monthly premiums – You can choose how much you can afford to pay each month. Typically, this amount never changes unless you agree otherwise.

Whole of life cover – You will be covered for the rest of your life until you die.

Easy claims process – Making a claim can be simple and quick, and your family can get the money within days of providing the required paperwork.

Spend as you wish – You can leave your loved ones a cash lump sum for them to spend how they wish.
This is different to a funeral plan which will only cover a specific set of services.

Cons

You'll need to pay every month for a set amount of time – You usually pay each month up to a set date. After this the premiums stop, but the cover continues. With some over 50s insurance providers, you pay each month until you die. Some providers offer options to stop paying earlier, but they might reduce your payout as a result.
Be sure to check the details of your plan before you commit.

Waiting period – Insurers often make you wait a period of time before they will pay out in full. This waiting period is typically 12 months but can be longer with some insurers.

You can't miss payments – If you stop paying your cover will end, and you won't get back the money you've paid in.
Some insurers will allow you to stop paying after a set period. Others will allow you to reduce payments or even take a payment holiday. This is usually in exchange for a lower payout.

You could pay in more than the payout – Depending on how long you live, you could pay more in premiums than the cash payout. Let's say you took out an over 50s life insurance policy at age 50 and paid £20 a month for £6,000 of cover. If you live more than 25 years, you will have paid in more than the cash payout. (These premium and payout figures are just an example.)

Frequently asked questions

Why do people take out over 50s life insurance?

By the time you reach your 50s, it's possible that your insurance needs may have changed. Funeral costs or leaving a financial gift for a loved one may now be your biggest priority.

Here are some top reasons people choose to take out an over 50s plan:

- To leave money as a nest egg for loved ones
- To contribute towards the cost of a funeral
- To leave money to help settle unpaid household bills
- To leave a donation for a favourite charity

Is over 50s life insurance worth it?

Whether over 50s life insurance is worth buying will depend on your circumstances. You also need to think about your reasons for buying insurance. Start by asking yourself these questions:

1. **Do you already have money put aside to help pay for your funeral that your family can access quickly?** Your family might end up having to pay for the funeral themselves if the funds aren't released in time.
2. **If you haven't already put money aside for your funeral, do you know how much a funeral costs in your area?** You might be surprised to learn that the average cost of a funeral with a service is now over £4,000. (We use the costs of both burial and cremation from across the UK to calculate this figure. Taken from SunLife's Cost of Dying report.)
3. **Do you already own a prepaid funeral plan with a reputable funeral director or insurer?** If so, it's worth checking whether it covers any extras you might want at your funeral like flowers or a wake. An over 50s plan payout could be used to pay for these.

How can I ensure my family get the money when I die?

The best way to be sure the right person gets your money when you die is to make a will.

It's a good idea to use a solicitor or professional will writer. A will is a legal document and needs to be signed and executed correctly to be valid.

If you have an over 50s plan, then you can include details of this in your will. You can add an explanation of how you want the payout from it to be used.

The person making the claim will usually need to:

- ✔ Confirm that the death has been registered and the death certificate has been received
- ✔ Provide the death certificate entry number and registration district

Making a claim for an over 50s plan is usually simple but will differ by provider. It's worth checking what the claims procedure is when comparing life insurance.

What is the best over 50s life insurance?

If you think over 50s life insurance is right for you, you'll probably want to compare the plans available.

Most over 50s insurance plans have similar product features, but there are some key differences. These differences will determine what the best plan is for you.

Key differences to look out for and compare are:

- Is the insurer a name you know and trust? There are lots of companies selling over 50s plans, but there are only a few trusted brands that have stood the test of time. Look for a brand with a good service record. Check their reviews on independent review sites such as TrustPilot, Feefo or Fairer Finance.
- Do you need a plan with guaranteed acceptance? Consider how answering medical questions or taking a medical exam might affect your acceptance, premiums, or payout.
- The cash payout for your age and premium will differ by provider.
- Some insurers will offer different rates for smokers and non-smokers. Make sure you check the criteria as it could affect your payout in the future if you answer incorrectly. Always be truthful on your application.
- You will typically have to wait at least one year before you are fully covered by your over 50s life insurance. Some plans require you to wait two or even three years before they will pay a claim in full.
- Most providers will offer the option of reducing your monthly premiums. Some offer an option to stop paying at a certain age or once you have paid for a certain number of years. Every provider is different, so make sure you check the terms and conditions before you buy.
- Many insurers offer extra benefits such as a health and wellbeing service, or a digital GP. Think about which of these you might benefit from, but remember these added extras are not always guaranteed to last for the life of your policy.
- You might want to find out how quick and easy the claims process is. When you pass away, it could be important that your family get the payout quickly.
- Some providers also offer a welcome gift with your plan, to say 'thank you' for choosing them. These can vary in value considerably. Always make sure you are choosing a provider that best suits your needs and not for welcome gift alone.

What are the alternatives to over 50s life insurance?

Over 50s life cover is not the only way to help with funeral costs, leave a cash gift, or to settle any debts you leave behind.

Here's some of the alternatives you could consider:

- A funeral plan
- Savings
- Public Health Funeral

Funeral plans, a savings pot and over 50s life insurance are ways to offer financial protection to loved ones. Let's look at some key differences between them.

An **insured funeral plan** helps specifically with your funeral arrangements when you die.

It is designed to cover the full cost of your chosen funeral services. The payout from a funeral plan must go to the funeral director to pay for your funeral.

There are also **trust-based funeral plans**, where you pay in advance for your funeral. This can be in one lump sum or in instalments. Trust-based plans should cover the funeral costs agreed with the funeral plan provider.

Setting aside **savings** is another way to protect your family from funeral costs when you die.

Saving regularly over a long time requires discipline. It can be difficult to not dip into your savings pot when other things crop up.

A **Public Health Funeral** is arranged by a local council. It is a last resort for someone who has died. The person who has died will often have no relatives and no means to pay for a funeral.

It is a no-frills service and you cannot make any choices towards what takes place.

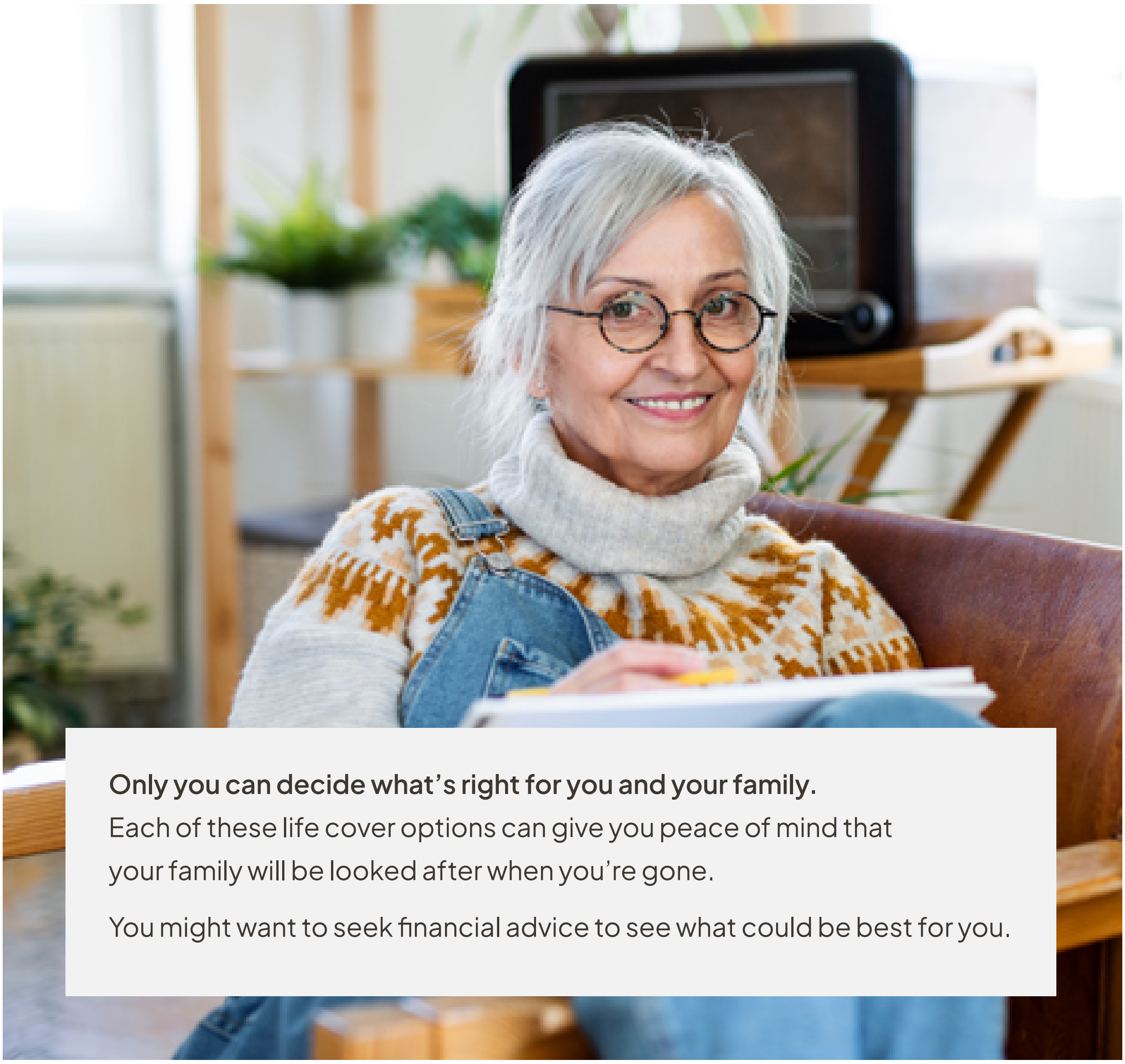
What about term insurance?

Term life insurance provides cover for a set number of years (the 'term'). It pays out if you die during this time.

Term life insurance is commonly 'underwritten'. This means your eligibility, premium and cash payout are based on your personal circumstances. This can include your lifestyle, health records and any history of genetic conditions in your family.

The payout for term insurance will normally be bigger than an over 50s or funeral plan.

However, term insurance only covers you for a set period, 'just in case' the worst should happen. You could live longer than the period of cover. If this happens, you won't get a payout (unlike over 50s life insurance where the payout is guaranteed).



Only you can decide what's right for you and your family.
Each of these life cover options can give you peace of mind that your family will be looked after when you're gone.

You might want to seek financial advice to see what could be best for you.

Key terms to understand

Here are some phrases you might come across when looking into over 50s life insurance.

Accidental death benefit
An amount paid out by the insurer if you die as a result of an accident during the moratorium. See Moratorium.

Arrears
If you don't pay a premium on time and fall behind, you are classed as being in 'arrears'. Some insurers will allow you a few 'days of grace' to pay before your policy is cancelled.

Assurance
Over 50s life insurance is sometimes referred to as 'assurance' because it will pay out on your death. This is because death is certain (assured) to happen.

Beneficiary/Beneficiaries
The person, or people, who will receive the money paid by your life insurance when you die. In other words, the people who will benefit.

Cover
The amount of protection (in reality, the money) your over 50s life insurance will provide when you die.

Estate
Everything you own at the time of your death. Includes property, land, personal possessions, savings, investments and life insurance.

Fixed (e.g. Fixed premium/Fixed cash sum)
The premium and cash sum is set on the day your policy starts and will not change, unless you agree otherwise.

Funeral Benefit Option
An option available with some over 50s life insurance providers. It allows your payout on death to be paid directly to a funeral director. This will then be put towards the final cost of your funeral. The chosen funeral director will also make a small additional contribution to the funeral. Some may make the claim to the insurer on your family's behalf.

Guaranteed acceptance
If you meet the age requirements and are a UK resident, you will not be turned down for most over 50s plans.
This is regardless of your health.
Some plans may ask health questions.

Inflation
The general increase in the price of goods and services over time. According to the Office of National Statistics, in 1980 you could buy nearly three loaves of bread for £1. Today you would be lucky to buy one. Inflation reduces buying power over time.

Source: National Statistics

Life assured
The named person on whose death the policy will pay out.

Moratorium
The amount of time you must wait before over 50s life insurance will pay out the full cover amount. For example, one or two years from the start of the plan.

Key terms continued

Non-medical insurance
Insurance that only requires you to meet age and residency criteria – your health is irrelevant. For other types of life insurance, the cover offered is determined by your health and lifestyle.

Policy
The contract between the insurance provider and the person taking out the insurance.

Policy documents
The documents you receive when you take out over 50s life insurance. These include the policy schedule detailing the life assured, cover and payment details. They should also include full terms and conditions. Keep these safe as they will be needed to make a claim.

Policyholder
The legal owner of the insurance policy. Sometimes the same person as the life assured, but this is not always the case.

Premium
The amount of money you must pay every month. Also called ‘monthly payments’.

Sum assured
The amount of money the insurer will pay when the policyholder dies. Can also be called the cover, lump sum, cash sum or payout.

Written in trust
A legal arrangement that lets you confirm who should receive the payout from your life insurance. If written in trust, the payout will be outside of your estate for inheritance tax purposes. It won’t need to go through probate, so your loved ones could access the money more quickly.

Underwritten
This is when an insurance company decides how much cover a customer should receive. They also decide how much the customer should pay for that cover.

They do this by measuring the risk, and deciding what the customer should be charged for them to accept that risk. It takes into account factors like age, health, occupation etc.

Whole of life cover
Exactly what it says. You pay your premiums when they’re due and you’re covered for the rest of your life. The policy is guaranteed to pay out whenever you die.

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Where to get financial advice

Here are some ways you can seek unbiased financial advice:

Unbiased
Find qualified financial advisors

Money Helper
Have lots of online articles and advice

Citizens Advice Bureau
Can offer online or face-to-face advice

Money & Pensions Service
They have lots of different contact options

Find a retirement advisor

Find out more about this type of life cover and how much it could cost.

This document is for general guidance only. It does not offer financial advice.