



Term Life Insurance: What is it and why do I need it?

Thinking about getting some Singapore life insurance? Are you unsure how you go about getting expat life insurance here and what that even means? We get it. This stuff can be dead confusing. Insurance sales people are the best trained on Earth and yet far too often you will be convinced to buy a policy that is way too expensive to meet what should, in fact be pretty simple needs i.e. Protection. Insurance should be bought first and foremost for protection benefits. The best informed and savviest individuals, across the world, will tell you that the only insurance they really need to protect their life is Term Life Insurance in conjunction with some critical illness cover. Keep reading – we'll cover what this means below.

Term Life Insurance is simply “paying for coverage of your life in the event of death”. You pay a simple fee every month (or annually) and upon your death your family will receive the “sum assured”. You purchase a life contract that you can terminate at any time with no penalty and that is portable to most places in the world. The “term” of this contract is usually 10, 15, 20, 25 or 30 years, however you can terminate this contract at any time (unlike Whole, Universal and the myriad of other “insurance” policies). Most people purchase something called “Level Term” which means that you are paying the same amount per year as long as you choose to continue to the policy. This allows you to lock in your robust and youthful good health now (can't take your health now for granted!) as premiums are level and fixed for the entire term.

Every single young family or anyone with a dependent (sibling, parent etc) needs some form of Term Life Protection. People need to check to see if they have this coverage at work, and if they do, how much coverage they actually have. Most people have 2-3 times their salaries covered at most. This will, at best, cover only 3-5 years of expenses based on our calculations. This no-frills corporate cover is not dependable as it is subject to limits, it does not include critical illness cover and it is not portable. Taking out your own expat term life insurance is definitely the way forward here. The other added advantage is that you can

add on a rider (how rock n roll!) to cover critical illness which is a source of replacement income. Should critical illness strike and you lose your job you will be burdened with the double whammy of lost income coupled with ongoing bills/living expenses as well as additional outpatient treatment. The lump sum pay-out from the critical illness rider is useful to maintain your standard of living and make sure you can focus on recovery without the need to work. This is also portable should your circumstances change.

Whole Life is what is called a “participating” policy that combines Investment and Protection. While this sounds like a good idea, it is not ideal for most people because the fees that you will pay to “participate” will most definitely enrich the insurance industry, but those fees will work against your long term return. These policies are pushed because the insurance industry benefits first and foremost from people who do not understand how long term investing returns work.

Getting yourself some term Life Insurance is the simplest and yet most necessary tool that you need in your financial tool kit.

We totally get that these questions can be confusing and bamboozling. That’s where we have Ethan, our Life Advisor at Expat Insurance and he is here to help. [Click here](#) and drop and drop him a line and he’d be happy to answer any questions for you!