



# Final Expense Insurance

## **What is final expense insurance?**

Final expense insurance is a whole life insurance policy that has a small death benefit, usually between \$2,000 and \$35,000. This type of policy is normally referred to as Funeral or Burial Insurance.

## **Is final expense insurance affordable?**

It has a smaller face amount which makes it more affordable than a traditional whole life policy.

## **Is the death benefit tax free to my beneficiary?**

Yes. If you die while the policy is in force, the insurance company pays a tax-free lump sum of money to your beneficiary.

## **What can my beneficiary use the death benefit for?**

Although most final expense policies are used for a funeral or memorial service, embalming and a casket, or cremation, it can be used for any purpose, from paying taxes to taking a vacation.

## **Is the premium or the death benefit flexible?**

No. Once you own the policy, the premiums cannot increase, and the death benefit cannot decrease.

## **What factors affect the rates of final expense insurance?**

- Age
- Health
- Gender (depending on state)
- Tobacco (depending on the insurer)

## **Will a medical exam be required?**

No. You do not have to deal with a medical exam or let the insurance company access your medical records. You will have to answer some health questions. Because of health questions, not everyone will qualify for coverage that begins on day one.

## **Benefits of final expense insurance**

- Final expense insurance can relieve the worries of your family members because it provides them with money they may need to pay expenses related to your death.
- Guaranteed Coverage - People with health and age related issues can still qualify for this type of coverage.
- The lower coverage amount options make it more affordable.
- It builds cash over time that you can borrow from, if necessary.
- The premium never changes.
- Even if your health deteriorates, the policy can not be canceled.
- The death benefit, while primarily used for death related expenses, can be used for whatever the beneficiary decides is best.

## **Special Considerations**

### **Guaranteed Issue Final Expense Insurance**

- Applicants with serious health issues will only qualify for a policy that does not require medical questions, an exam, or medical records.
- These policy have a two to three year waiting period before benefits will be paid.
- If the insured dies during the waiting period, the death benefit will not be paid to the beneficiary. They will receive a return of the premiums the policyholder paid, plus interest, usually at an annual rate of 10%.

### **Graded Benefit Final Expense Insurance**

- Applicants with semi-serious health conditions may qualify for this type of policy.
  - This policy has a partial waiting period and pays a graded death benefit for the first two years.
1. Year 1 - Pays 30% to 40% of the death benefit
  2. Year 2 - Pays 70% to 80 % of the death benefit
  3. Years 3+ - Pays 100% of the death benefit

## **Who is best suited for a final expense insurance policy?**

An individual who is retired and no longer has life insurance through an employer, and doesn't have an individual life insurance policy. Neither does that person have a nest egg large enough to ease the financial burden of a spouse or children upon death.