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How to save money on life insurance

There are a few things you can do to save money on life insurance.

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DREAMSTIME PHOTO

There are ways you can cut your life insurance premiums.

By: [Sheryl Smolkin](#) At Work, Published on Tue Jan 28 2014

Purchasing a life insurance policy is an important way you can financially protect your family in the case of your premature death, but life insurance premiums can take a chunk out of your budget. But there are ways to keep the cost down.

Your insurance premiums are generally based on the type and amount of insurance you buy and your chance of death based on your age, your medical conditions and your family health history. However, lifestyle factors under your control like smoking, drinking, your weight and your driving record also significantly impact the cost of life insurance.

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You may be surprised to learn that even after you have purchased a life insurance policy if you can show that you have eliminated certain risk factors for a year, your insurance company will re-calculate your premiums, saving you considerable money over the life of the policy.

“In these circumstances the life insurance company would likely investigate and send a nurse out to do a new medical examination before reducing the premium rates,” says insurance broker Chantal Marr, the president of Toronto’s LSM Insurance.

Here are some examples of factors that influence the cost of life insurance and the

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impact on your premiums that can result from lifestyle and other changes.

1. Smoking: If you are a smoker, your premium will be twice as high as a non-smoker. Therefore a 35-year old non-smoker who purchases \$500,000 of term insurance will pay about \$40/month. A smoker of the same age will pay more than twice that amount. If you stop smoking for over 12 months you can apply to the insurance company to have your premiums reduced to non-smoker rates.

2. Excessive drinking: A person who has 3-4 drinks a day will be considered an excessive drinker. In these circumstances, premiums can be up to 50 per cent higher. Rates can also be subsequently reduced for people who reduce or eliminate their alcohol intake entirely for over a year.

3. Weight : One factor insurance companies use to assess risk factors when you apply for life insurance is your Body Mass Index (BMI) – a number calculated based on your weight and height. A BMI of over 30 is considered obese.

For example, a man who is six feet tall and weighs 265 pounds has a BMI of 35.9. If this individual reduces his weight to 180 lbs. (normal BMI of 24.4) and keeps the weight off for a year, he too can ask for a recalculation of premiums. The reduction will differ from case to case, but if weight loss results in lower blood pressure, cholesterol and/or blood sugar the reassessment will take these factors into consideration.

4. Your driving record: Life insurance companies, like automobile insurers will punish you for a poor driving record. Your premiums may be 25-50 per cent higher depending on your record. Convictions for serious offences like drunk driving, careless driving and speeding will have a greater impact than a handful of parking tickets. The typical time for minor driving offences to be expunged from your record is three years, and you can ask for a rate review at that time.

5. Age: Standard life insurance premiums are calculated based on your age. Therefore if you apply at for life insurance age 35, the annual premium quoted will be higher than if you purchased the policy a year or two earlier. It may be to your advantage to have the policy backdated to an earlier age. You will have to pay a lump sum to cover the premiums for the backdated period but all future premiums will be at the lower rate.

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[One couple's \\$97,500 life insurance mistake](#)

Other ways you can save money on life insurance are to pay premiums annually instead of monthly (yearly savings of about one month of premiums) and review your policy at regular intervals.

“If you pay off your mortgage or your children become self-supporting you may want to reduce the face value of the policy for the balance of the term,” says Marr.

For more ways to save on life insurance premiums, see [40 ways to save on life insurance](#) published on the insurance company rating website insureye.com.

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deber 6 days ago

I'm wondering why in the last recession and continued down turn in the economy, the insurance companies seem immune compared to what is/was happening. It seems they have some power that I'll never know about or understand.

The case about the 40\$, \$2000 pay out is not unfamiliar. There are some pieces missing but the plan at the time was nearly depleted.. not a peep from the insurer. They just managed to collect and collect.

Move to a new town and find out who you're friends with all of a sudden...until you say no, I, am not buying. Bye Bye new friend! In such cases it was actually friend(s). There are situations with term ins. with regard to renewal that one's rep has forgotten all about you and you end up talking to some other who was once your friend and asking why you weren't informed. There came a point where the agent was about to hang up the phone but added "I told you so" I know of such stories.. just have to make informed decisions. Ins. is a Mysterious money machine to me!

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Daddeo 6 days ago

It would seem most comments misread the article. Factors 1 through 4 are something you can control and they do directly affect your insurance premiums. Age, well you cannot change that. As for 1 type of insurance fits all,..... never. Every and I mean every situation has different needs and solutions including no insurance needed.

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editrix 6 days ago

How to save money on life insurance? Don't buy it and have a decent portfolio. My parents believed that the cottage was their life insurance. If either of them died, the place could have been sold for the money. They were also able to enjoy it more than a piece of paper.

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JCWang 6 days ago

Tax, tax, tax, don't forget about tax. Property tax, capital gain tax,

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Daddeo 6 days ago

So the couple with 2 kids, mortgage and small savings should pass on the 500K life insurance with a premium under 100 dollars per month and put into the portfolio. So 6 months from now when 1 of the is killed the \$600 in their portfolio is really going to help the family,.....good call,...NOT.....my mistake the portfolio is going to have unbelievable returns every month and never shrink because the market always grows every year and you can guarantee they will live during this time of always have positive growth in their portfolio.

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JusticeNeeded 6 days ago

My mother-in-law has been paying \$40 per month for 40 years on 2 different policies that are each worth \$2,000. Multiply \$40 x 12 mth= \$480 x 40 yr = \$19,200, When she passes, her estate will pay \$4,000. She absolutely refuses to stop paying as this is her funeral fund! And the insurance companies involved, refuse to stop the premiums. These are the advertisements you see on TV, premiums will never go - AND they will never stop either!! What a lot of wasted money; in her case it would have been better to stick it in a savings account. She would at least be collecting a little bit of interest rather than losing the \$19G

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JCWang 6 days ago

Per year perhaps? 40 years? Another feature one may overlook is enhanced benefits. Some policies have enhanced payouts in addition to face value. The over-payment of the premium is usually allocated to an investment options, which will be paid out together with the face value, which is 2000 dollars in this case. In total, your mother in-laws policy may be well worth over 50K. If one has the access to the statement, look for enhanced benefits or something like that, or cash value/surrender value. Either will tell you what the true value of the policy is.

The payout is usually tax-free to beneficiary in most cases.

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GreggW 6 days ago

Why on earth would you want to have the insurance company reduce the limit on your life policy especially if you began the policy prior to you turning 30? As far as Term Insurance goes...it is money out the window. More people are living past 75 and that is where most Term Life policies end. If you can afford Term Insurance buy Whole Life with a cash surrender value instead. If you really dont want (or need) to leave money for anyone else cash in the policy after age 65. There won't be any payout on the face value but the surrender amount will be about 40% of that (depending on when you began the policy). Insurance is not a "mugs game" as I read in another post. Take any one of the accidents on the 401 from Saturday. No matter what anyone is paying a year for car insurance in Ontario you will never pay back the amount of money that was paid out. Another post advised "put your money in a bank and don't invest in an insurance company..good luck with that 1/2 % interest

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poindexter 6 days ago

collision insurance is betting you will wreck your car , your fault , drive properly , and you do not require collision unless you have a bank loan on the vehicle , so betting against yourself is a mugs game

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poindexter 6 days ago

insurance fraud is rampant .. lease a car , lose your job , take the car to a deserted road , set it on fire , no more lease payments , sore neck / soft tissue injury , the insurance company does not investigate , costs too much , offers a few thousand to sign off on the claim , it is not what it was intended for,

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Tundragirl 4 days ago

I bought a fixed life insurance policy and a 5 year term insurance policy in my early 20s. It is now 20 years later. I wanted to change my 5 year term policy to a 20 year term policy (the fixed policy is staying the same). I have since gained some weight. The insurance company is sending a nurse to my home to do a medical. It is my understanding that they are doing this to see if they will extend my term policy or not. BUT can this medical information effect my fixed policy?

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JCWang 4 days ago

Very unlikely it will affect the fixed life (whole life) policy. I doubt they are doing this to EXTEND you 5-year term. I guess they will issue a NEW 20 year term policy and medical check is just part of the underwriting process for the new policy.

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