

# What is a Life Insurance Lump sum?

Nobody likes to think about the worst-case scenarios in life, but it's important for us to be prepared all the same. Having a life insurance policy is a good idea for this reason. Life insurance pays out a lump sum when you die and is a safety net for your family as they continue on without your income. Here are some of the most helpful things a life insurance lump sum could be used for by your family.



## FUNERAL EXPENSES

In Ireland, we like to give our loved one's a good send off when they die, and funerals are expensive. Until 2013 there was a bereavement grant available, but this has been abolished, so the total funeral costs fall to your family. The average cost of a funeral in Ireland is around €5,000.<sup>1</sup> A life insurance lump sum could take some weight off the shoulders of your family by covering the entire costs of the funeral.

## TO REPLACE INCOME

It's a huge financial change for a family if an income is taken away. This is especially true if your children are still dependants when you die. A lump sum can be saved by your family and dipped into every month to act as an income.

It's not just a lost income that puts financial pressure on a family however, a stay at home parent is worth around €40,000<sup>2</sup> a year in terms of the child-minding, cleaning, and cooking duties they carry out instead of hiring outside help. If a stay-at-home parent dies, it affects the family finance just as much as the loss of a working spouse.

## PAYING OFF DEBT

Credit card bills, car loans, and credit union loans will become more of a worry if there's an income taken away from your family. With a life insurance lump sum your family could buy something invaluable – peace of mind.

## A VARIETY OF EXPENSES

Your family can use a life insurance lump sum for a mix of short-term, medium-term and long-term needs. Short-term needs that your family will have are expenses that they have good visibility of, such as monthly bills and grocery costs. Medium-term costs include things like your children's education costs, fixing up your home, replacing your car, or your children's weddings. Long-term needs include mortgage repayments, a pension and maybe helping your children with their first house payments, and grandchildren's education costs.

## TAX AND FEES ON LUMP SUM

There's no tax deducted from a life insurance lump sum pay out, nor will you have to pay any fees when receiving the lump sum.

1. Independent.ie, Ireland's most expensive <https://www.independent.ie/irish-news/news/revealed-irelands-most-expensive-graveyard-plots-with-cost-reaching-up-to-32k-34923039.html>

2. Independent.ie, The work of a busy stay-at-home parent is worth at least €40k, <https://www.independent.ie/business/personal-finance/the-work-of-a-busy-stayathome-parent-is-worth-at-least-40k-31016547.html>