Develop your financial security plan with mortgages

If you want to insure your mortgage debt, you might want to consider purchasing personal term life insurance. It's convertible and pays the beneficiary you name when the insured dies.

On the other hand, with most mortgage life insurance offered by a lending institution, the lender is the owner of the policy and pays off the mortgage when you die. Also, mortgage life insurance usually has decreasing coverage and it's not transferable. So if you move or change lending institutions, you may need to apply for another policy.

Another point worth considering is if you make additional payments on your mortgage your mortgage life insurance coverage decreases. So the harder you work to pay off your mortgage the faster your mortgage life insurance decreases while your payments stay the same.

Personal term life insurance is about you, not where you live. Some companies allow you to save on the personal term life insurance policy fee for the entire term if you bundle it with a mortgage. You'll be surprised how insuring you mortgage with personal term life insurance can work to your advantage later on as well.

Say for example you purchased a personal 10-year term life insurance policy and you were able to pay down your mortgage sooner than you imagined by using some of the prepayment options, such as making an annual lump-sum payment. With some companies, you could prepay up to 15 per cent of the original principle amount. If you used an annual bonus, income tax return or inheritance, you could save thousands of dollars in interest while paying off your mortgage sooner.

Plus, once your mortgage is paid off you'll still have the full amount of your personal life insurance coverage in place to provide financial protection for your family.

A mortgage can be part of the foundation of a complete financial security plan. Once you've found the right home, find the right mortgage and the right mortgage life insurance protection.

[Contact us today]

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