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FINAL EXPENSE INSURANCE BUYING GUIDE

A Simple Guide to Protecting Your Family
From End-of-Life Expenses



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Final Expense Insurance Buying Guide

A Simple Guide to Protecting Your Family From End-of-Life Expenses

Final expense insurance is designed to help families prepare for many of the costs that can arise after the death of a loved one. While no insurance policy can replace a person, having money available at the right time can help reduce the financial burden placed on surviving family members.

This guide explains how final expense insurance works, what to look for when comparing plans, and the questions you should consider before purchasing coverage.

What Is Final Expense Insurance?

Final expense insurance is generally a form of **permanent life insurance** designed to provide a relatively modest death benefit.

It is commonly purchased to help cover expenses such as:

- Funeral and burial costs
- Cremation expenses
- Medical bills
- Outstanding household bills
- Credit card balances
- Small personal debts
- Travel expenses for family members
- Legal or administrative expenses
- Other financial obligations left behind

Unlike some larger life insurance policies that may primarily focus on replacing years of income or paying off a mortgage, final expense coverage is usually designed around the immediate financial needs that may arise when someone passes away.

1. Determine Why You Need the Coverage

Before comparing policies, consider exactly what you want the insurance money to accomplish.

Ask yourself:

If I passed away tomorrow, what expenses would my family have to handle?

For example, you may want enough coverage to provide:



Expense	Estimated Amount
Funeral or cremation	\$8,000
Medical or final bills	\$3,000
Credit cards or personal debt	\$2,500
Household expenses	\$1,500
Family emergency fund	\$5,000
Estimated Need	\$20,000

Your actual needs may be significantly higher or lower.

The goal is not necessarily to buy the largest policy available. The goal is to purchase an amount that makes sense for your family and your budget.

2. Choose an Appropriate Coverage Amount

Final expense policies are often available in relatively modest amounts, although limits vary considerably by insurance company.

Common coverage amounts may include:

- \$5,000
- \$10,000
- \$15,000
- \$20,000
- \$25,000
- \$30,000
- \$40,000
- \$50,000 or more

When selecting an amount, consider more than the funeral itself.

A surviving family member may also need money for utilities, transportation, medical bills, housing expenses, or other obligations while the estate is being settled.

A Useful Question

Instead of asking:

“How much does a funeral cost?”

Consider asking:

“How much money would I want immediately available to my family if I were no longer here?”

That often provides a more realistic starting point.

3. Understand the Main Types of Final Expense Coverage

Not every final expense policy works the same way.

Three common categories are:

Level Benefit

With a level-benefit policy, the full death benefit is generally available from the beginning of the policy, subject to the policy's terms, exclusions, and contestability provisions.

These policies usually require applicants to answer health questions and meet the insurer's underwriting requirements.

For people who qualify, this is frequently one of the more attractive options.

Modified or Graded Benefit

Some applicants may have medical conditions that prevent them from qualifying for immediate full benefits.

A graded or modified policy may limit the amount payable from certain causes of death during the first few policy years.

For example, during an initial waiting period, the policy might return premiums paid plus a stated amount or pay only a percentage of the death benefit for certain non-accidental deaths.

After the waiting period ends, the full benefit may become available according to the policy terms.

Always understand the waiting period before purchasing this type of policy.

Guaranteed-Issue Coverage

Guaranteed-issue policies generally require few or no health questions.

They may be appropriate for individuals who have significant health conditions and cannot qualify for other forms of coverage.

However, these plans commonly have:

- Higher premiums relative to the benefit
- Lower maximum coverage amounts
- A waiting or graded-benefit period

Guaranteed issue can be valuable when other options are unavailable, but it should not automatically be your first choice simply because it sounds easier to obtain.

4. Know Whether the Premium Can Increase

One of the most important questions to ask is:

“Is my premium guaranteed to remain the same?”

Many final expense plans are structured as permanent whole life insurance with premiums designed to remain level.

However, never assume this.

Ask your insurance professional to explain whether:

- The premium is guaranteed
- The death benefit is guaranteed
- The policy can lapse
- The policy develops cash value
- Coverage remains in force for life if required premiums are paid

Understanding these details before purchasing can prevent surprises later.

5. Understand the Difference Between Term and Permanent Coverage

Final expense policies are frequently permanent insurance, but consumers should understand the difference.



Term Insurance

Term life insurance generally provides coverage for a specific period, such as:

- 10 years
- 20 years
- 30 years

Coverage may end when the term expires unless the policy is renewed or converted according to its provisions.

Permanent Insurance

Permanent life insurance is generally designed to remain in force for life as long as policy requirements are satisfied.

Because funeral and burial expenses will eventually occur regardless of when someone passes away, permanent insurance is commonly used for final expense planning.

6. Don't Shop Based on Price Alone

A lower monthly premium may look attractive, but price should not be the only consideration.

When comparing policies, review:

- Coverage amount
- Monthly premium
- Benefit waiting periods
- Health qualifications
- Policy guarantees
- Financial strength of the insurance company
- Cash-value provisions, if applicable
- Accidental-death provisions
- Exclusions
- Policy lapse provisions
- Customer service
- Claims procedures

The least expensive policy is not necessarily the policy that provides the best protection.

7. Be Completely Accurate With Health Questions

If an application asks health questions, answer them completely and truthfully.

Insurance applications may ask about:

- Heart disease
- Cancer
- Stroke
- Diabetes
- Kidney disease
- Lung conditions
- Recent hospitalizations
- Prescription medications
- Mobility limitations
- Nursing-home care
- Certain neurological conditions
- Other medical history

Providing inaccurate information can create serious problems later, including complications during the claims process.

If you do not understand a question, ask your licensed insurance professional to explain it before answering.

8. Review the Waiting Period Carefully

This is especially important.

Some policies provide immediate coverage for eligible causes of death.

Others may impose a waiting period for natural death.

Ask specifically:

“If I die during the first year, what exactly does my beneficiary receive?”

Then ask the same question regarding:

- Year one
- Year two
- Accidental death
- Natural death

You should understand the answer clearly before purchasing the policy.

9. Choose Your Beneficiary Carefully

The beneficiary is the person or organization designated to receive the policy's death benefit.

Possible beneficiaries could include:

- Spouse
- Adult child
- Other relative
- Trust
- Estate
- Another eligible person or organization

Consider whether the person you select will be able to manage the funds responsibly and carry out your wishes.

You should also consider naming a **contingent beneficiary** in case your primary beneficiary dies before you.

Beneficiary designations should be reviewed periodically, particularly after major life changes.

10. Avoid Naming a Funeral Home Without Understanding the Consequences

Some consumers assign benefits directly to a funeral provider.

While this can sometimes simplify payment arrangements, understand exactly what you are agreeing to.

Before signing an assignment, determine:

- How much money the funeral home will receive
- Whether excess proceeds go to your beneficiary
- Whether the assignment can be changed
- Whether your family retains flexibility when making arrangements

Your beneficiary may sometimes have greater flexibility if the insurance proceeds are paid directly to them.

11. Understand Cash Value

Some permanent final expense policies accumulate cash value over time.

Cash value can potentially provide access to funds through policy loans or other provisions, depending on the contract.

However, borrowing against the policy may:

- Reduce the available death benefit
- Create interest charges
- Cause the policy to lapse under certain circumstances

Final expense insurance should generally be purchased primarily for its death-benefit protection—not solely because of its cash value.

12. Consider Inflation

A funeral that costs \$10,000 today may cost considerably more years from now.

If your budget allows, consider purchasing slightly more coverage than your current estimated expenses.

For example:

If you believe your current need is approximately **\$15,000**, you might compare:

- \$15,000
- \$20,000
- \$25,000

Then determine whether the additional protection is affordable.

13. Make Sure the Premium Fits Your Long-Term Budget

This is extremely important.

Final expense insurance is intended to remain available when your family eventually needs it.

A policy that becomes unaffordable several years later provides little benefit if it has to be canceled.

Choose a premium you believe you can comfortably maintain.

Consider:

- Current income

- Retirement income
- Social Security
- Pension income
- Housing expenses
- Prescription expenses
- Future healthcare costs
- Other insurance premiums

Affordable coverage that stays in force may be far more valuable than larger coverage that becomes difficult to maintain.

14. Don't Cancel Existing Life Insurance Too Quickly

If you already have life insurance, do not automatically cancel it simply because you are considering a final expense policy.

Your existing insurance may provide valuable benefits.

Review:

- Current death benefit
- Premium
- Type of policy
- Remaining term
- Cash value
- Beneficiaries
- Policy guarantees

If replacing an existing policy is being considered, carefully compare both policies and follow applicable replacement requirements.

There may be circumstances where keeping the existing policy is the better decision.

15. Ask About Additional Benefits

Depending on the carrier and product, some policies may offer additional features or riders.

Examples could include:

- Accelerated death benefits
- Terminal illness benefits

- Accidental-death provisions
- Child or grandchild riders
- Additional insured riders

Availability varies significantly between insurers and states.

Do not purchase a policy simply because it contains many extras. First make sure the core death benefit meets your needs.

16. Understand the Contestability Period

Many life insurance policies contain a contestability period, commonly during the first two policy years.

During this period, the insurance company may investigate information provided on the original application if a claim occurs.

That is another reason truthful and complete application information is essential.

The exact provisions are governed by the policy contract and applicable state law.

17. Ask About the Free-Look Period

Most life insurance policies include a period during which the policy owner can review the contract after receiving it.

During this time, you may generally return the policy according to its provisions if you decide it is not appropriate.

The length of this period varies based on state law, company rules, and policy type.

Use this opportunity to read your policy carefully.

18. Make Sure Your Family Knows About the Policy

A surprisingly common problem occurs when someone purchases life insurance but never tells the family that the policy exists.

Your beneficiary should know:

- The insurance company

- Where the policy is stored
- Your policy number
- Who the insurance professional is
- How to contact the insurance company
- That they are listed as beneficiary

Keep policy information somewhere secure but accessible.

19. Review Your Policy Regularly

Final expense needs can change.

Consider reviewing your coverage every year or after major events such as:

- Marriage
- Divorce
- Death of a spouse
- Retirement
- Major health change
- Moving to another state
- Paying off substantial debt
- Taking on new debt
- Changes in funeral preferences
- Changes in beneficiaries

A short insurance review can help determine whether your existing coverage still matches your goals.

20. Questions to Ask Before Buying

Before purchasing final expense insurance, ask your agent or insurer:

- What is the exact death benefit?
- Is the death benefit level from the first day?
- Is there a waiting period?
- What happens if I die during the waiting period?
- Is the premium guaranteed not to increase?
- Can the death benefit decrease?
- How long does the coverage last?
- Are there health questions?
- Is a medical exam required?
- Does the policy build cash value?
- What happens if I miss a payment?
- Are there any riders included?

- What exclusions apply?
- Is there a free-look period?
- How does my beneficiary file a claim?

A qualified insurance professional should be able to explain these questions in understandable language.

A Simple Final Expense Needs Worksheet

Step 1 — Funeral or Memorial Expenses

Estimated Amount: \$ _____

Step 2 — Medical or Healthcare Bills

Estimated Amount: \$ _____

Step 3 — Credit Cards and Personal Debts

Estimated Amount: \$ _____

Step 4 — Household Expenses

Estimated Amount: \$ _____

Step 5 — Additional Family Emergency Money

Estimated Amount: \$ _____

Step 6 — Other Expenses

Estimated Amount: \$ _____

Total Estimated Need

\$ _____

Existing Life Insurance

\$ _____

Savings Specifically Available for Final Expenses

\$ _____

Estimated Additional Insurance Need

\$ _____

Final Expense Insurance Buyer's Checklist

Before purchasing coverage:

- ☐ Determine how much coverage your family may need.
 - ☐ Review any life insurance you already own.
 - ☐ Compare more than one coverage amount.
 - ☐ Determine whether coverage begins immediately.
 - ☐ Ask whether there is a graded or waiting period.
 - ☐ Verify whether your premium is guaranteed.
 - ☐ Understand how long the policy remains in force.
 - ☐ Review exclusions and limitations.
 - ☐ Answer all health questions accurately.
 - ☐ Select primary and contingent beneficiaries.
 - ☐ Make sure the premium fits your long-term budget.
 - ☐ Review the policy during the free-look period.
 - ☐ Store policy information in a safe location.
 - ☐ Tell your beneficiary where the policy information can be found.
 - ☐ Review your coverage periodically.
-

Final Thought

The purpose of final expense planning is ultimately much larger than paying for a funeral.

It is about making sure that when your family is dealing with an emotionally difficult moment, they are not also forced to immediately answer:
“How are we going to pay for all of this?”

The right amount of coverage can help provide money, flexibility, dignity, and peace of mind when your family may need those things most.

Get Help Reviewing Your Options

Final expense insurance is not one-size-fits-all. Age, health, coverage amount, budget, state of residence, and insurance company underwriting can all affect the plans available to you.



A licensed insurance professional can help you compare available options, understand the differences between immediate and graded benefits, and determine whether final expense insurance makes sense as part of your overall protection strategy.

Smarter Health Insurance Options

Helping individuals and families understand their insurance choices and make informed decisions with confidence.

Website:

<https://www.smarterhealthinsuranceoptions.com/>

Important Disclaimer

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A business card for Terence S. Phillips, MA, a Licensed Insurance Agent | Remote FL. The card features the Smarter Health Insurance Options logo on the left. The right side contains contact information: Florida License Number: W472774, NPN: 18727754, Office: 877-528-0702, Mobile: 239-850-6999, Fax: 239-236-0211. There is a QR code for appointments and a website URL: https://smarterhealthinsuranceoptions.com. The bottom of the card lists services: Life Insurance | Critical Illness | Long-Term Care | Health Insurance | Dental and Vision Coverage.


Smarter Health Insurance Options

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