THE GOOD GUIDE TO LIFE INSURANCE 2026

GOOD WITH MONEY
MORE MONEY, FEWER PROBLEMS

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Why life insurance matters

Life comes at you fast. If something happened to you, could your family stay in your home? Could they keep up with childcare costs, or carry on with the life you were building together?

Life insurance isn't about doom and gloom - it's about peace of mind. It's one of the most practical, caring decisions you can make. And if you're conscious about where your money goes, there are ways to make your policy reflect your values too.

This guide, sponsored by ethical financial planners **EQ Investors**, strips away the jargon.

We'll explain how life insurance works, how much cover might make sense for you, how to find a provider that aligns with your ethics, and how it all fits into a bigger financial picture.

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What is life insurance and how does it work?

At its heart, life insurance is a promise: if you pass away during the policy term, your insurer pays out a lump sum (or in some cases, a regular income) to the people you've chosen - often your family or dependants.

Let's clear up a few common terms first. The policyholder (that's usually you) is the person whose life is insured. You pay regular premiums to keep the cover going.

If you die during the term of the policy, the sum assured (the agreed payout) goes to your chosen beneficiaries - or to a trust, which can speed things up and reduce tax complications.

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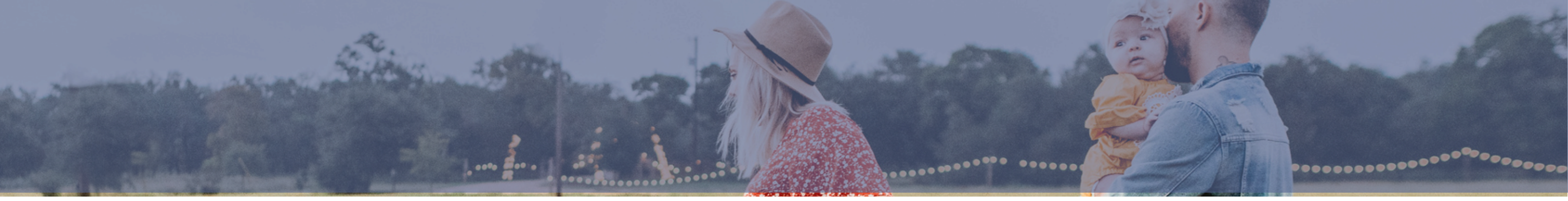

You've got a few options when it comes to the type of cover:

- **Term insurance** is the most common. You're covered for a set period, say 10, 20, or 30 years. The payout can stay level, decrease (if it's tied to a mortgage), or increase with inflation to keep its value in real terms.

- **Whole of life** policies last as long as you do and guarantee a payout, though they tend to cost more.

There are also some helpful variations. For example:

- **Family income benefit** pays a regular income instead of a lump sum.

- **Over-50s** plans offer smaller sums with guaranteed acceptance, and relevant life cover is a tax-efficient option employers can offer to employees or directors.

Family income benefit: an alternative way to protect your loved ones

Most people think of life insurance as a single lump sum payout, but there's another option that can work better for many families: family income benefit.

Instead of paying a one-off amount, this type of policy provides a regular, tax-free income to your beneficiaries if you die during the policy term. The payments continue until the end of the term. For example, until your youngest child finishes school or your mortgage is repaid.

Because the payout is spread out as income rather than delivered all at once, family income benefit can often be more affordable than traditional term assurance.

And it mirrors how families usually manage money, covering ongoing household costs like mortgage repayments, bills, childcare or school fees.

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For example, rather than leaving a £300,000 lump sum, you might arrange for your family to receive £2,000 per month for 15 years.

That can make budgeting simpler and help ensure the money lasts for the time it's needed most. Family income benefit is particularly useful for parents of young children or anyone who wants to make sure day-to-day living costs are covered.

It's not as well known as other types of cover, but it can be one of the most practical and cost-effective ways to provide financial stability.

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How much cover do you need?

There's no perfect number and it depends on your situation, but a little planning can go a long way. Start by asking: if you weren't around, what would your family need to stay afloat financially?

Think about your mortgage, other debts, daily living costs, childcare, school or university fees, and any dependants who rely on you. It's also wise to include final expenses and a buffer for unexpected costs.

A good rule of thumb is to aim for around 10 times your annual income, plus any debts or big future costs, minus any existing cover you already have (like an employer-provided policy).

Here's how that might look:

Annual income: £50,000 → £500,000

Mortgage + debts + education costs: £260,000

Existing cover: £30,000

Suggested cover = £730,000

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Remember, inflation erodes the value of money over time, so what looks generous today may not go as far in 15 years.

What affects the cost?

Premiums vary depending on your risk profile and the cover you choose. Age and health are big factors, along with whether you smoke, what you do for work, and any high-risk hobbies.

The size of the payout, length of the policy, and whether your cover rises with inflation all affect the cost too.

The good news? The younger and healthier you are when you apply, the more affordable your premiums are likely to be, so the sooner you get a policy in place the better.

And it pays to review your cover when your life changes - for example, if you buy a house, have a child, or change jobs.

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How to choose an ethical life insurance provider

Taking out life insurance is, in itself, an ethical choice - it's about protecting the people you love. But if you're also conscious about how your money is used, there are ways to find a provider that aligns better with your values.

Some insurers invest in sectors like fossil fuels or arms. Others are working harder to avoid those and steer money towards more positive outcomes like clean energy, affordable housing or healthcare. But transparency can vary, and no provider gets it 100 per cent right.

So what does "more ethical" look like?

- Avoids harmful investments and supports sustainable ones
- Has a solid record for paying claims fairly
- Puts people first, especially vulnerable customers
- Operates as a mutual or member-owned organisation (where possible)
- Shares clear, public info about what they invest in and why

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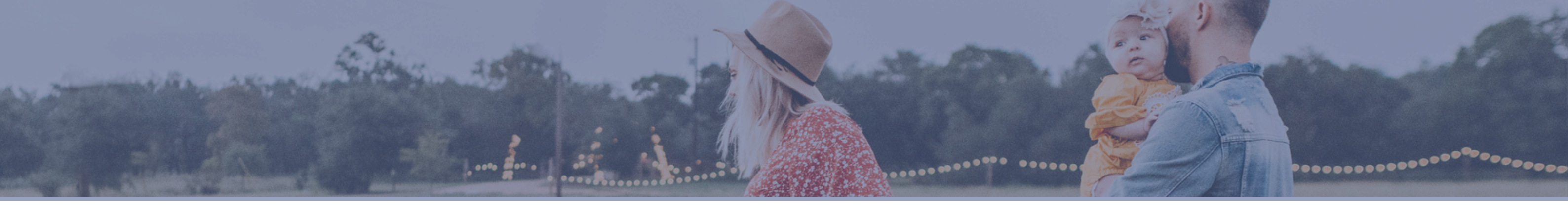

Transparency can vary, though, and no provider gets it 100 per cent right. Unlike ethical investing, there is no single, agreed industry standard for what makes a life insurer "ethical", and most insurers do not describe themselves in those terms.

Life insurance is also not typically screened by financial planners based on ethical criteria, with policies chosen primarily on suitability, affordability and the insurer's ability to pay claims.

That doesn't mean ethical differences don't exist, but without a formal standard, assessing them is less straightforward. Below are some of the areas where differences tend to show up, and where to look if you want to understand how insurers approach investment, transparency and wider business practices.

There is no 'perfect'

You won't find a perfect ethical provider, but you can aim for one that does less harm, more good, and pays out reliably when it matters most.

For extra peace of mind, check ethical comparison sites, read customer reviews, and ask who actually underwrites the policy as it's not always the brand on the front.

On page 12 are some of the UK life insurers that perform relatively well on ethical and responsible investment measures. They all underwrite their own life policies.

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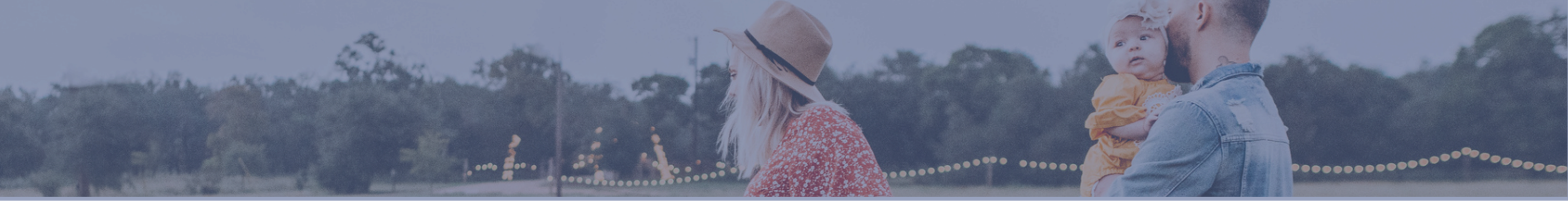

How to dig deeper on their ethics

Before you buy, you could take a few minutes to check how your premiums are invested. Most insurers publish an annual stewardship or responsible investment report on their website.

You can also look at the fund fact sheets for any linked investment options, which reveal sector exposures and sustainability ratings.

Also worth a look: Evergreen Insurance Services

While not a life insurer itself, Evergreen is a broker that gives up to 25 per cent of its commission to wildlife and nature charities.

It partners with major underwriters such as Royal London and AIG Life, so the ethics of your policy depend partly on which insurer is chosen, but Evergreen's business model ensures that some good is done with every policy sold.

Tip: Mutuals like Royal London and NFU Mutual are owned by their members rather than shareholders, which often means profits are reinvested or shared with policyholders instead of paid as dividends.

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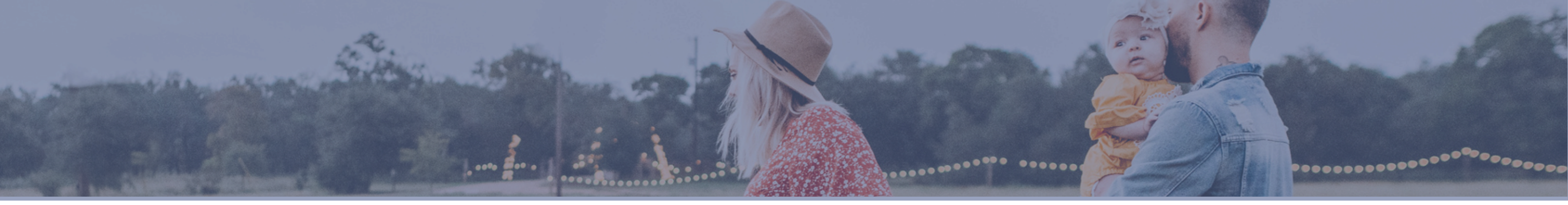

Insurer (underwriter)	Why they rank well (and where they fall short)
AVIVA	One of the few big insurers with clear rules on what it won't invest in - like coal, tar sands and Arctic drilling. Strong climate targets and transparent reporting. Still a plc, so some older investments may linger in less ethical sectors.
ROYAL LONDON	A mutual, meaning it's owned by its members, not shareholders. Strong track record on responsible investing and shareholder engagement, with a growing range of sustainable funds. Policies aren't applied equally across every fund, which can blur the picture.
L&G	Very transparent on climate and nature - publishes detailed reports (known as TCFD) and has clear carbon-cutting goals. Its investment arm, LGIM, is an active voice for greener business. Still slow to fully drop fossil fuel holdings and less open about the ethics of its insurance side.
NFU Mutual	Another mutual, which puts customers before shareholders. Talks openly about being a responsible business and managing climate risks. But its ethical investment policy is basic and lacks clear exclusions.
Vitality	Highlights wellness and prevention as part of its model and reports on climate risks through TCFD. However, most of its ethical commitments sit within its global parent company rather than the UK arm, and its climate targets stretch far into the future.

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How life insurance fits into your financial plan

Think of life insurance as your financial foundation. It's the thing that protects everything else you're building: your home, your savings and your plans for the future.

Here's a simple way to structure your finances:

1. Start with an emergency fund (ideally three to six months of expenses)
2. Add protection - life cover, plus income protection or critical illness cover if needed
3. Then focus on long-term growth through investing

You don't need to overdo it. The right amount of life cover gives your family stability without making premiums a burden. And like your life, your policy should evolve, so review it regularly.

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Alex Hollinshead,
Financial Planner at
EQ Investors

When should I review my cover?

Protection is a crucial safety net for your family, but it needs updating as your life changes.

According to a study by Direct Line, only 35 per cent of adults in the UK have life insurance, despite its importance in providing for their families. This translates to roughly 18.8 million people.

Even if you are one of these 35 per cent, it's also important to review your policy on a regular basis or after a significant life event.

What are life events?

When we think about life insurance, it's important to remember that the proceeds are for our loved ones. A life event in the context of life insurance refers to a significant catalyst in your life that can affect their financial situation.

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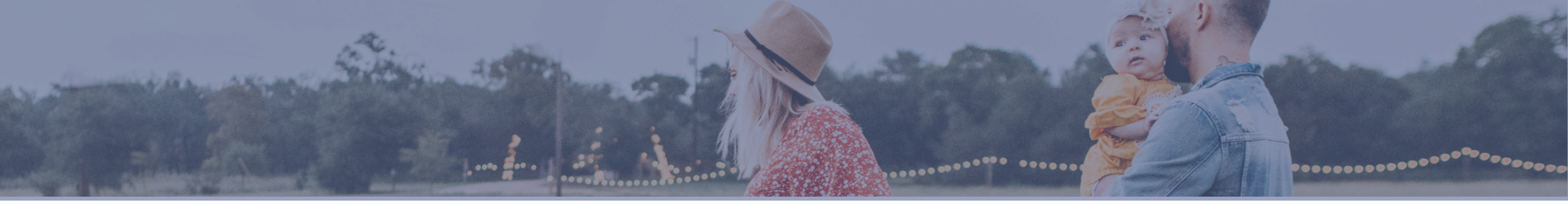

Examples include:

1

Having children: Losing half the available income in case of an untimely death could leave the surviving spouse struggling to make ends meet. In fact, 7 in 10 households say they'd have trouble covering everyday living expenses within just months of losing their primary wage earner.

2

Buying a home: Paying off a mortgage is one of the main reasons people buy life insurance. To help keep the people you love in the home they love, you can buy enough life insurance to completely cover that debt.

3

Paying off your mortgage: Decreasing insurance policies are set up to finish around the same time a mortgage is due to be paid off and lapse automatically. If affordable, you may look to put a level term assurance policy in place rather than a decreasing policy. A level term policy can provide a sum assured even after the mortgage is paid off.

4

Divorce: It is important to revisit existing life insurance policies after divorce. Where partners have separated with children, the sum assured provided by a pre-existing contract may still be intended to be left to cover childcare, school fees or to leave a nest egg. The complications occur when deciding who pays the premiums and for how long.

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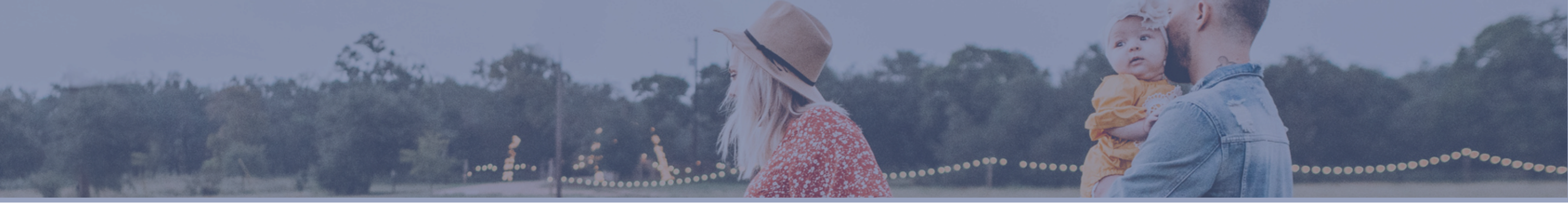

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Retiring: Upon retirement, you may lose death in service or relevant life benefits provided by your employer. If there is still a need for life insurance after retirement it is important to consult a financial planner as to what your options may be. If older at retirement premiums may be significantly more expensive and cover may have to be reduced to keep premiums affordable.

What constitutes a change in circumstances?

Changes in circumstances relate to events that may give rise to a policy adjustment. For instance, buying a more expensive property may mean that your current decreasing insurance policy will not cover the new mortgage amount in its entirety.

Having children may increase the cover needed and most likely the monthly premium.

As life insurance is medically underwritten, changes to your health status may adjust the premium. For instance, quitting smoking may reduce your premium.

In all occurrences, it's best to check with the insurer or your financial planner.

Should you review your insurance annually?

In short, yes. Checking outstanding policies is always prudent even if the insurance has been taken out to cover the long term.

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How do you know if your policy is about to expire?

The expiration date will be stated on the original policy document. Annual reviews of the policy will show the end date and whether the policy can be extended.

Is it worth switching providers?

An annual review of your policy may show that switching providers could result in a cheaper monthly premium. However, there are many potential drawbacks of switching providers. A conversation with your financial planner is recommended.

It's important to make sure when shopping around that the new insurance policy reflects the same terms as the previous policy. It's also worth noting that changing providers will result in a new two-year contestability period meaning that if the provider discovers any inaccuracies in the information provided, cover may be denied.

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Common mistakes to avoid

Some pitfalls are easy to dodge once you know about them:

- Waiting too long to apply. Age and health affect price
- Getting too little cover. Especially if you forget childcare or inflation
- Buying on price alone. Cheap isn’t always best
- Not using a trust. This can delay payout and increase tax
- Letting beneficiary details go out of date
- Hiding health or lifestyle info. Always be honest
- Switching without checking. You might lose protections
- Letting cover lapse. Set a calendar reminder

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How to apply

Applying is straightforward, but you'll need to give your:

- Personal and job info
- Medical history
- Lifestyle details (smoking, drinking, activities)
- Income, debts, and existing cover

You'll answer health questions, and sometimes be asked for a nurse check or GP report. Based on that, the insurer decides whether to offer you standard rates, adjust your premiums, or add exclusions.

Being upfront protects your right to claim. Honesty now saves heartache later.

Is it worth speaking to a financial planner?

Life insurance can be straightforward, but when you're thinking about how it fits into your bigger financial picture, it can help to get some expert support.

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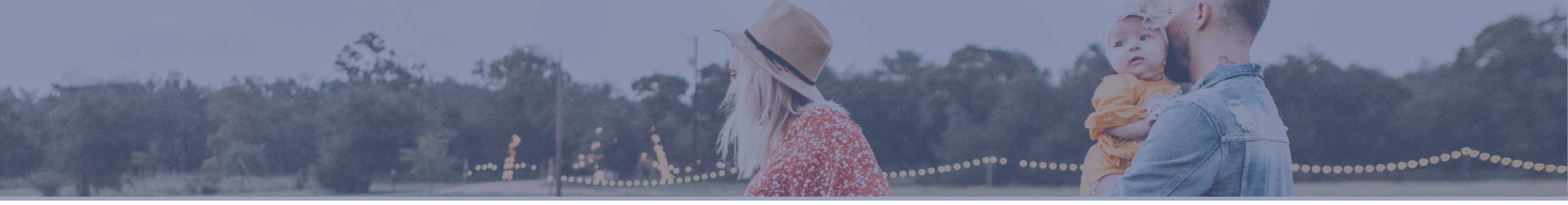

A good financial adviser won't just help you work out how much cover you need, they'll look at how life insurance works alongside other protection (like income protection or critical illness cover), your savings, debts, and long-term goals.

They can also:

- Flag any existing cover you already have (like "death in service" from your employer)
- Help you avoid over or under-insuring
- Talk you through using a trust to help the payout reach your loved ones quickly
- Access policies that aren't available directly online, via specialist brokers

You don't have to get advice to buy life insurance but if your circumstances are complex or you're unsure how much cover you need, it's worth considering.

EQ Investors, sponsor of this guide, offers protection planning as part of an ongoing or one-off financial advice service. You can **find out more here.**

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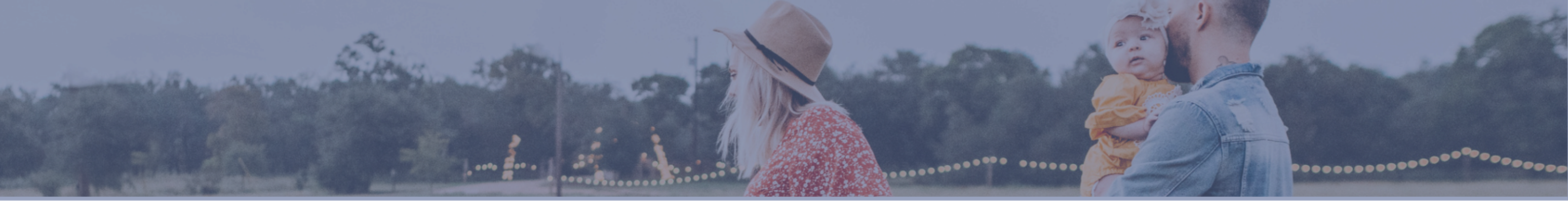

Linked policies to consider

Life insurance is often part of a wider protection plan. Depending on your circumstances, it may sit alongside other types of cover. Commonly linked policies include:

Income protection

Pays a regular income if you can't work due to illness or injury, helping protect your earnings while you're alive.

Critical illness cover

Provides a tax-free lump sum if you're diagnosed with a serious condition such as cancer, heart attack or stroke.

Family income benefit

A form of life insurance that pays a regular income instead of a lump sum, often used to cover ongoing household costs while children are dependent.

Relevant life cover

A tax-efficient life insurance policy set up by an employer or company director and paid for by the business.

Death in service benefits

Life cover provided by your employer, usually worth a multiple of your salary. This typically ends when you leave the job, so shouldn't be relied on alone.

The right mix of cover depends on your income, debts, family situation and wider financial plan.

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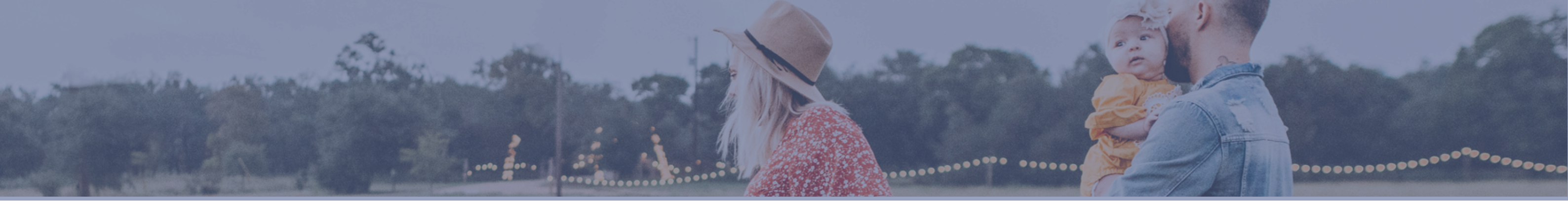

Monitoring and reviewing your cover

Life insurance isn't a set-and-forget product. To remain effective, it should be reviewed regularly and updated as your life changes. It's sensible to review your cover:

- Once a year
- After major life events such as having a child, moving home, changing jobs or getting divorced

When reviewing, check:

- Whether the payout would still cover debts and living costs
- How long the policy has left to run
- That beneficiaries are up to date
- Whether inflation protection is still appropriate

If your needs have changed, you may be able to adjust or add to existing cover rather than replacing it. Because life insurance is medically underwritten, switching policies should always be done carefully.

If you're unsure, a financial adviser can help you assess whether your cover still matches your needs.

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FAQs

1 What if I stop paying?

Cover ends, and in most cases, there's no refund. Some policies offer a short grace period.

2 Can I have more than one policy?

Yes. Many people layer policies. For example, one to cover the mortgage and another to support dependants.

3 What if I'm self-employed?

You won't have workplace life cover, so it's worth considering higher personal cover. Keep tax returns handy to show income.

4 Is it worth it if I'm single?

Possibly, to clear debts, cover funeral costs, or leave a gift to family or charity.

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Glossary

Beneficiary: the person who receives the payout

Death in service: life cover provided by your employer

Inflation protection: cover that grows with rising prices

Premium: your regular payment for cover

Sum assured: the amount paid when a claim is made

Term: how long your policy lasts

Did you know?

"1 in 29 children (aged 5 to 16) has been bereaved of a parent or sibling" - Child Bereavement UK

In numbers

In 2024, UK insurers paid a record £8 billion in protection claims (including life, critical illness, income protection, group risk) - an increase over 2023 - Cover.

Did you know?

An estimated "26,900 parents die each year in the UK, leaving approximately 46,300 dependent children" - the Childhood Bereavement Network / UK Parliament briefing.

About Good With Money

Good With Money is a money website with a difference: it is all about how your money can do more good for people and planet, as well as line your pocket.

It created the Good Egg mark, a licence for financial services companies which make a positive impact.

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Contact details

Want to get in touch with us, or the providers mentioned in this guide?

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EQ Investors

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EQ's financial planners help people at all stages of life with their financial goals. Over the years they have found that the best way to start this process is an initial meeting to get to know each other and to understand more about what you need and what they can offer. They offer these meetings free of charge as they are as beneficial for them as they are for you.

Learn more here: https://eqinvestors.co.uk/meet-us-for-coffee