How Much Life Cover Do You Need to Protect Your Mortgage?

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There's a question that never gets a straight answer: *how much life insurance do I actually need?*

People tend to guess. Some match the mortgage amount, others double it "to be safe." A few shrug it off completely because they think it's a luxury – right up until they realise the shortfall that would've left their family struggling.

So, let's cut through the waffle. No jargon, no calculator pop-ups. Just plain English, real numbers, and a bit of practical thinking about what happens when life doesn't go to plan.

First Things First – What's the Point of It?

Life cover isn't about you. It's about everyone else.

If you die while you've still got a mortgage, the lender will still expect payment. The life insurance payout steps in to clear that debt so your partner, kids, or whoever's left behind doesn't lose the home.

That's the foundation – but it can (and often should) go beyond the mortgage. Because mortgages are rarely the only cost holding a household together.

Bills. Childcare. School uniforms. Food. All the boring, relentless stuff that never stops.

That's why "mortgage protection" is the bare minimum, and "life insurance that covers the mortgage plus living costs" is the smarter play.

The Core Question: What Needs Paying Off?

Let's start with the obvious. How much is your mortgage balance right now?

If it's a **repayment mortgage**, that number will fall every month. So if you took it out for £250,000 over 25 years, you might owe roughly £200,000 after five years.

If it's **interest-only**, the balance never changes – you'll owe the same at the end as you did at the start.

That alone tells you the first part of your answer:

Mortgage Type	How to Set Cover
Repayment	Match your current balance with a *decreasing term* policy.
Interest-only	Match the full loan with a *level term* policy.

If you stop there, you'll have the mortgage cleared if you die – job done. But most people don't stop there.

The Second Question: Who Relies on You Financially?

This is where things get personal.

If you live alone, with no dependants, the mortgage itself might be the only thing worth covering. Once the house is sold, the debt's gone.

But if you've got a partner, children, or anyone who relies on your income – you'll want to think beyond the bricks and mortar.

Say your household spends £2,000 a month on bills, food, travel, and so on. That's £24,000 a year.

Would your partner manage that alone? Would savings or a single income stretch? Probably not.

So instead of *just* clearing the mortgage, many people build in an extra buffer – enough to keep life ticking for a few years without panic.

A simple formula looks like this:

Component	Example Amount
Remaining mortgage balance	£200,000
Annual household expenses (x 3 years)	£72,000
Childcare / education fund	£20,000
Funeral costs & fees	£10,000
Total cover	**£302,000**

Round it up for simplicity – £300,000 for a 20-year term, for instance – and you've got solid protection.

How to Think About Your Term

The policy term should at least match the mortgage term. But life doesn't fit neatly into 25-year boxes.

Maybe you'll remortgage, move, or shorten the term later. Maybe you'll overpay and finish early. That's fine – the cover doesn't have to be perfect.

If you expect to have dependants for longer (young kids, for example), it's worth going a bit beyond your mortgage term. The cost difference between 25 and 30 years is often surprisingly small.

A lot of people regret cutting it too short, not too long.

The "Too Much vs Too Little" Debate

Let's be honest – nobody ever complained their life insurance paid out *too much*.

Too little, though? That's where heartbreak meets money worries.

It’s tempting to aim low to keep the premium small, but the difference between £150,000 and £250,000 of cover might only be a few quid a month.

I’ve seen plenty of cases where people trim it down to “just enough for the mortgage” and later realise they forgot about lost income, childcare, or joint debts. It’s worth pushing the number slightly higher than you think you’ll need.

Common Mistakes People Make

Here’s what tends to go wrong when people guess their cover:

1. **Matching the original mortgage amount forever.**
   They take £250k cover but ten years later they owe £130k – and keep paying the same premium.
   Review it every few years. It’s not one-and-done.
2. **Ignoring lifestyle costs.**
   Clearing the mortgage is great – but food, council tax, and car insurance don’t vanish.
3. **Relying on work benefits.**
   Some jobs offer “death in service” cover, often 3–4× your salary. Sounds good – but it stops when you change jobs, and it’s rarely enough for a full mortgage.
4. **Overestimating savings.**
   Unless you’ve got a hefty emergency fund, savings tend to vanish quickly in real life.
5. **Forgetting inflation.**
   £200,000 today won’t go as far in 20 years. Some policies include “index-linking” so cover rises with inflation – worth considering.

How Age and Health Affect It

The earlier you take life cover, the cheaper it’ll be. That’s because the insurer’s risk window is longer but your chance of dying is lower.

Here’s a rough idea (based on a healthy non-smoker with a 25-year decreasing term):

Age	£200k cover	£300k cover
30	£9–£12 /month	£13–£17 /month
40	£15–£20 /month	£22–£27 /month
50	£30–£40 /month	£45–£55 /month

The difference between 30 and 40 might not sound huge, but over 25 years it adds up. Waiting doesn't help.

And yes, medical history plays a big part. Mild asthma or high blood pressure usually won't derail things, but serious conditions or smoking will bump up the price fast.

Decreasing, Level, or Family Income Benefit?

You've got three main ways to structure cover.

Type	How It Works	When It Fits
Decreasing term	Cover reduces each year, like your mortgage balance.	Best for repayment mortgages.
Level term	Payout stays fixed throughout.	Ideal for interest-only or if you want extra family cover.
Family income benefit	Pays monthly income instead of lump sum.	Good for dependants who'd need regular cashflow.

Plenty of people mix two types – one to clear the mortgage, one to cover living costs. It's more flexible than you might think.

Real-World Example: The Young Family in Derby

Let's take a typical UK scenario.

A couple in Derby, both 35, buy their first home for £260,000 with a £210,000 repayment mortgage over 25 years. They've got two children under five and combined take-home pay of £3,800 a month.

Here's how they could approach life cover:

- **Mortgage**: £210,000 decreasing term cover over 25 years.
- **Family buffer**: £100,000 level term cover for 25 years (extra breathing space).
- **Monthly cost**: Around £30–£35 combined.

If one of them died, the mortgage would be cleared, and the survivor would receive £100,000 – roughly three years of breathing space while adjusting financially.

No guesswork. No unnecessary stress.

Joint or Separate Policies?

You can take a **joint policy** or **two single ones**. Joint tends to be cheaper, but it only pays out once – after the first death.

Two single policies cost more, but both can pay out. That's twice the protection for the long term.

For younger couples with dependants, the double-policy route can make a lot of sense – particularly if one person's income is much higher.

How to Review It Over Time

Life changes faster than you think.

You move house. Have another child. Change jobs. Start a business. All of those shift your financial reality – and your cover should shift with it.

A quick five-minute review every couple of years does the trick. Just check:

- Is your mortgage balance still covered?
- Have your monthly expenses increased?
- Are your dependants older (or more expensive)?

If you're self-employed, you'll also want to think about how fluctuating income affects affordability. For an overview of your options, see our life insurance page.

How Much Is "Enough"?

There's no magic number. But there are sensible benchmarks:

Household Type	Recommended Cover
Single buyer, no dependants	Match your mortgage balance only.
Couple, no children	Match mortgage + 1–2 years of joint bills.
Family with children	Mortgage + 3–5× annual household expenses.
High earners / large mortgages	Mortgage + 5–10× income (for stability).

These aren't rules – just starting points. Everyone's comfort level differs. Some want absolute security; others prefer to keep premiums low.

How to Keep Costs Sensible

If you're worried about affordability, there are a few tricks:

1. **Go decreasing term first.**
   Cheapest for most homeowners, especially early on.
2. **Avoid add-ons you don't need.**
   Critical illness cover is valuable, but if your budget's tight, prioritise life cover first.
3. **Consider joint policies carefully.**
   Fine for basic protection, but weigh up flexibility.
4. **Pay annually if possible.**
   Monthly premiums include admin fees – paying yearly can save 5–10%.

5. **Shop around, or get advice.**
   Premiums vary wildly between insurers. A quick comparison can shave off pounds every month.

The Emotional Equation

Money’s the practical bit – but the emotional side matters too.

You can’t quantify peace of mind. Knowing your family could keep the home if something happened to you… it changes how you see the mortgage.

It’s not about being pessimistic. It’s about being a grown-up with a plan.

And once the policy’s in place, you’ll barely think about it again. That’s the beauty of it – it just sits there quietly, waiting to do its job.

Common “What-Ifs” (Quick Answers)

What if I overpay the mortgage?
No problem – your cover doesn’t decrease faster, but you’ll simply have more protection than needed.

Can I change the amount later?
Usually yes, but you may need to re-apply or undergo health checks if you increase it.

What if I move house?
You can often port (transfer) your policy to the new mortgage – or take a fresh one if the loan size changes a lot.

Is it tax-free?
Yes – life insurance payouts are usually free of income and capital gains tax.

What about inheritance tax?
Write the policy in trust so it pays directly to your chosen person without adding to

your estate value.

Wrapping It Up – Finding Your Number

Start with your mortgage balance.
Add what it would cost your family to stay afloat for a few years.
Factor in kids, inflation, and anything else that would hurt to lose.

That’s your number. Round it up a little – because life rarely plays out exactly to the spreadsheet.

And once you’ve nailed that, don’t forget: life cover isn’t just about the mortgage.
It’s about keeping life liveable for the people you love.

Note: The information in this guide was correct at the time of publication but is subject to change.