

Which is Better for me... Term Life Insurance or Permanent Life Insurance?

Life insurance helps to ensure that your family and loved ones are protected against financial difficulties in the event of a premature death. Combined with investments, retirement and estate planning, life insurance is a fundamental part of a sound financial plan. With the help of an insurance professional you can develop a complete plan that will protect you and your family. This section gives you basic information about various types of life insurance, how to choose an agent, conducting a needs analysis, and the basics of estate planning.



Term insurance provides protection for a specific period of time. It pays a benefit only if you die during the term. Some term insurance policies can be renewed when you reach the end of the term, which can be from one to 30 years. The premium rates increase at each renewal date. Many policies require that you present evidence of insurability at renewal to qualify for the lowest rates.

The following points can help you determine if term insurance best suits your needs.

Advantages	Disadvantages
<ul style="list-style-type: none">• Initial premiums generally are lower than those for permanent insurance, allowing you to buy higher levels of coverage at a younger age when the need for protection often is greatest.• It's good for covering needs that will disappear in time, such as mortgages or car loans.	<ul style="list-style-type: none">• Premiums increase as you grow older.• Coverage may terminate at the end of the term or become too expensive to continue.• The policy generally doesn't offer cash value or paid-up insurance.

Permanent insurance provides lifelong protection. As long as you pay the premiums, the death benefit will be paid. These policies are designed and priced for you to keep over a long period of time. If you don't intend to keep the policy for the long term, this may be the wrong type of insurance for you.

Permanent policies are known by a variety of names: whole, ordinary, universal, adjustable, and variable life. Most have a feature known as cash value or cash-surrender value. This feature, not found in most term insurance policies, provides you with some options:

- You can cancel or surrender the policy in total or in part and receive the cash value as a lump sum. If you surrender your policy in the early years, there may be little or no cash value.
- If you need to stop paying premiums, you can use the cash value to continue your current insurance protection for a specified time or to provide a lesser amount of protection covering you for your lifetime.
- You usually can borrow from the insurance company, using the cash value in your life insurance as collateral. Unlike loans from most financial institutions, the loan is not dependent on credit checks or other restrictions. You ultimately must repay any loan with interest or your beneficiaries will receive a reduced death benefit.



With all types of permanent policies, the cash value of a policy is different from the policy's face amount. The face amount is the money that will be paid at death or policy maturity. Cash value is the amount available if you surrender a policy before its maturity or your death. Moreover, the cash value may be affected by your insurance company's financial results or experience, which can be influenced by mortality rates, expenses, and investment earnings.

There are several types of permanent insurance:

- Whole life or ordinary life is the most common type of permanent insurance. The premiums generally remain constant over the life of the policy and must be paid periodically in the amount indicated in the policy.
- Adjustable life insurance premiums are recalculated at set time periods, typically every five, or even ten, years, to reflect current interest rates. While five years is the most common readjustment period, some policies may be based on three or even ten years.
- Universal life allows you, after your initial payment, to pay premiums at any time, in virtually any amount, subject to certain minimums and maximums. You also can reduce or increase the death benefit more easily than under a traditional whole life policy. (To increase your death benefit, the insurance company usually requires you to furnish satisfactory evidence of your continued good health.)
- Variable life provides death benefits and cash values that vary with the performance of a portfolio of investments. You can allocate your premiums among a variety of investments offering different degrees of risk and reward: stocks, bonds, combinations of both, or accounts that guarantee interest and principal. You will receive a prospectus in conjunction with the sale of this product.

- The cash value of a variable life policy is not guaranteed and the policyholder bears that risk. However, by choosing among the available fund options, you can allocate assets to meet your objectives and risk tolerance. Good investment performance will lead to higher cash values and death benefits. If the specified investments perform poorly, cash values and death benefits will drop.
- Some policies guarantee that death benefits cannot fall below a minimum level. There are both universal-life and whole-life versions of variable life.

The following points can help you determine if permanent insurance best suits your needs.

Advantages	Disadvantages
<ul style="list-style-type: none"> • As long as the premiums are paid, protection is guaranteed for life. • Premium costs can be fixed or flexible to meet personal financial needs. • The policy accumulates a cash value against which you can borrow. (Loans must be paid back with interest or your beneficiaries will receive a reduced death benefit.) You can borrow against the policy's cash value to pay premiums or use the cash value to provide paid-up insurance. • The policy's cash value can be surrendered, in total or in part, for cash or converted into an annuity. (An annuity is an insurance product that provides an income for a person's lifetime or a specific period.) • A provision or rider can be added to a policy that gives you the option to purchase additional insurance without taking a medical exam or having to furnish evidence of insurability. 	<ul style="list-style-type: none"> • Required premium levels may make it hard to buy enough protection. • It may be more costly than term insurance if you don't keep it long enough.