

When Is Term Life Insurance A Good Choice?

Term life insurance is pure insurance. When you purchase a term policy, you are buying coverage for a specific period of time. If you die within the time period specified in your policy, the insurance company will pay your beneficiaries the face value of your policy.

Term insurance offers temporary protection. This differs from the permanent forms of life insurance, such as whole life, universal life, and variable universal life, which generally offer lifetime protection. And unlike other types of life insurance, term insurance accumulates no cash value. You don't receive a refund at the end of the policy period if you haven't died. Term life insurance maybe appropriate for temporary life insurance needs or when your cash needs make permanent life insurance unaffordable.

Term insurance is sold for a specified period of time. Annual renewable term life insurance is renewable every year, without proof of insurability. The main drawback associated with annual renewable term, as well as other types of term insurance, is that premiums increase every time you renew your life insurance coverage. The reason is simple: As you get older, your chances of dying increase. And as the likelihood of your death increases, the risk that the insurance company will have to pay a death benefit goes up with it. Unfortunately, term insurance can become too expensive right when you need it most – that is, in your later years.

There are several variations of term insurance that allow for level premiums. For example, you may be able to obtain 5-, 10-, 20-, or even 30-year level term, or level term payable to age 65. In addition, you can buy decreasing term life insurance, for which you pay level premiums for a death benefit that decreases every year. Each of these types of term life insurance has its own particular uses. For example, decreasing term insurance is often used to provide the funds to pay off a home mortgage if a spouse dies.

Life insurance can be used to achieve a variety of goals. The cost and availability of the type of life insurance that is appropriate for you depends on factors such as age, health, and the type and amount of insurance you need. If you are considering purchasing life insurance, consult a professional to explore your options.