



THE ROAD TO A SECURE FUTURE

TERM vs. PERMANENT INSURANCE

Life insurance products fall into one of two categories: term or permanent. Both can play an essential role in planning a secure future for families.

TERM INSURANCE

A term life policy provides coverage for a specific period of time, such as 10, 20, or 30 years, during which level premium payments are made. Clients are covered while the policy is in force. When the policy's level premium period ends, the client can elect to renew the policy for an annual renewable term policy. This is generally available without the need for additional underwriting, but the annually renewable term rates will be higher than the level period rates.

When considering life insurance, term life insurance can be a good first choice — especially for families just starting out. Because term insurance is generally quite affordable — particularly for younger ages or temporary insurance needs — term life insurance is an easy way to help provide financial peace of mind for families. The death benefit will help a client's beneficiaries fill the gap left by the loss of income and may help in preserving assets such as their home. Term life insurance can also cover specific financial obligations that will disappear over time, such as a mortgage or loans.

Because term life insurance is not permanent life insurance, it does not build cash value. There's no commitment, either. If your client decides to end their coverage before the term is up, they can simply stop making payments and that's it — there aren't any other obligations. And if they should change their mind, there is a grace period during which they can reinstate the policy.





PERMANENT INSURANCE

Permanent life insurance doesn't limit the death benefit to a specific span of time. There's always a payout, regardless of when the insured dies, as long as the policy remains in force. What's more, permanent life insurance can build a cash value, which grows with each payment made in excess of the policy charges. Because of these valuable benefits, premiums for permanent life are usually higher than those for term life. In addition, certain types of permanent insurance also offer premium payment flexibility. Keep in mind, permanent life insurance requires a long-term commitment since a surrender charge is typically applied if a policy is canceled during the first ten to fifteen policy years. Canceling a policy after only a few years can be expensive.

With permanent insurance, your client's premium dollars less a premium expense charge are applied to the policy's account value. From the account value, deductions are made to pay the cost of insurance and expenses associated with providing the policy. What's left over becomes the net cash value, which takes into account policy surrender charges, if applicable.