

# LIFE INSURANCE

## TERM vs. WHOLE LIFE

**TERM INSURANCE** – Considered *temporary* protection because it only provides coverage for the number of years specified in the contract. Unless the term policy is renewed or converted, the coverage expires at the end of the policy term (i.e. 10yrs., 15 yrs., or 20 yrs.). In addition, there is no cash value that can be withdrawn or borrowed against while you are alive. Term insurance provides what is known as **pure death protection**. Term policies provide for the greatest amount of coverage for the lowest premium as compared to any other form of protection.

Even from the perspective of a long-term need for life insurance, term insurance can provide a significant amount of coverage for a relatively small outlay of premium, when compared to the premium that is charged for a permanent form of insurance. Young professionals who are just starting practices and have not reached their earnings potential may still have a need for a large amount of coverage. For them, term insurance provides protection in the early years of their careers.

**CAUTION** – Be certain your term insurance policy has a right to convert to a quality permanent policy, in case you become uninsurable due to health reasons.

### FEATURES & ADVANTAGES:

Initial Low Cost

May be Renewable and/or Convertible

### DISADVANTAGES:

Coverage is designed to end before death

No cash value

**WHOLE LIFE INSURANCE** – Referred to as *permanent* protection, since as long as the premium is paid, coverage will continue for your life. The premium is based on your age when you take out the policy, and remains the same throughout the life of the policy.

Whole life policies also build **cash value** (living benefits), which you can borrow against (does not usually accumulate until the third policy year and grows tax deferred).

### FEATURES & ADVANTAGES:

Premium remains the same throughout the life of the contract

Cash values (growing tax deferred) are available for loans, assignments, and emergency use

### DISADVANTAGES:

Initial cost is higher than term insurance

Cash value NOT paid in addition to death benefit

Lost investment opportunity