



TERM LIFE INSURANCE UNDERSTOOD

By Roger Kelly

An important part of a sound financial plan, life insurance provides a death benefit to your beneficiaries and can replace some of the income you were earning. This can help preserve any investments, savings, or other assets.

Term Life Insurance:

Term life insurance is a policy that provides coverage to the insured over a certain length of time. This makes this policy an asset to your overall financial plan. Level term policies now can remain level for 10, 15, 20 or 30 years!

Reasons for buying term life:

Permanent insurance is far more expensive than term life insurance. If you have young children at home it may be a good decision to buy term to create an estate. If you bought a home with a 30 year mortgage for \$500,000 that might be another deciding factor. If this is the case you might purchase a level term policy for \$500,000 30 year term to pay off the mortgage. If the insured passed away prior to the term the beneficiary would receive the full \$500,000 tax free in a lump sum benefit.

Term offers conversion options:

In most cases you can convert all or part of your term insurance to a permanent life product without having to provide any evidence of insurability. This option lets you keep some amount of the death benefit if you need some amount of permanent insurance later on. The attraction of term is that it can be bought at an extremely affordable price. If you lock in a rate at a young age when healthy the rate is guaranteed for the full length of the term. Some clients like to combine term with a permanent policy so that during the early years they have maximum coverage and also have a policy that will last a lifetime for final expenses down the road. It always pays to review your policy as term rates have dropped in price the last few years.

Why you need life insurance:

1. You can protect your family and eliminate your mortgage.
2. Allow your family to maintain their standard of living.
3. Give your spouse a retirement income.
4. Pay off outstanding debts you have incurred.
5. Keep the family business.
6. Protect business from the loss of a key employee.

Important benefits of term life policies:

1. Term life policies are designed to meet a multitude of personal and business needs and offer the most coverage for your investment.
2. Term insurance provides protection for a certain period of time (10,15,20,25,30 years) and pay a death benefit to your beneficiary if anything were to happen to you during this time.
3. Term policies do not accumulate cash value but many allow you to convert to a permanent policy within a specific time period.