



TERM LIFE INSURANCE

What is term life insurance?

Term life insurance is a contract between you and the life insurance company that lasts for a certain amount of time, call a term.

Is term life insurance affordable?

It is one of the most affordable life insurance options available. This type of policy is designed to give you a higher amount of coverage for a lower cost, allowing you to cover higher debts such as a mortgage or personal loans.

Is the death benefit tax free to my beneficiary?

Yes. If you die while the policy is in force, the insurance company pays a tax-free lump sum of money to your beneficiary.

Common Types of Term Insurance

- **Level Term** - The death benefit and premiums are set when the policy is purchased and remain the same over the life of the policy. This is the most common type of term life insurance.
- **Annual Renewable Term** - This type of policy only lasts one year. It can be renewed each year, based on the age you are at the time. This is best for short-term life insurance needs.
- **Increasing Term** - This policy has a death benefit that increasing in value at set intervals over the course of your coverage.
- **Decreasing Term** - The policy has a set death benefit and a set premium that decrease over the coverage period. This is used to cover a specific debt, like a mortgage, that decreases as you pay it off.
- **Return-of-Premium (ROP) Term** - This type of insurance returns your premium if you outlive your coverage.
- **Convertible Term** - This type of term policy includes a rider that allows you to convert the policy into a permanent life insurance policy as the end of the policy's term nears. Most term policies have this provision built in.

Benefits of term life insurance

- **Affordable** - Term life is cheaper than other kinds of life insurance which allows you to get more coverage at a more affordable price.
- **Easy to manage and understand** - There are no complex tax implications, only a few restrictions, with a term policy.
- **Access to coverage when you need it** - The affordability of this product enables you to have financial protection during the period of your life when you need it the most, like paying a mortgage or for a child's education.

Disadvantages of term life insurance

- **Expiration date** - The policy expires at the end of the term, unless it is either converted to a permanent policy.
- **Lack of cash value** - Term life policies only offer a lump-sum death benefit. They do not build cash value over time.

Who should consider a term life insurance policy?

- Anyone looking for affordable coverage
- Newlyweds, married couples, and people who share expenses with a partner
- Parents or guardians of children
- Homeowners with a mortgage
- Anyone with a significant debt

How much coverage do you need and for how long?

- **How Much** - Most experts say you need 10 to 15 times your income. For a more accurate sense of how much you need, calculate your financial obligations and subtract your liquid assets. The result is how much you need.
- **How Long** - Long enough to cover your financial obligations. The most common lengths are 20 or 30 years.

Is term life portable?

Yes. If the term life policy is purchased through a business, the policy may be ported to a personal bank draft upon termination of the job.