

When It Comes To Life Insurance Is Term or Permanent Life Insurance The Best Option To Protect My Family?

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How Do I Chose the Right Type of Life Insurance To Protect My Family?

Making a decision about the right type of life insurance to purchase is a very important one. Some of the questions you might have are: (What exactly is life insurance? How does it work? And what is it really for?).

Well, first life insurance is a concept where you purchase a policy (contract) that will pay the person or entity (beneficiary) you choose in case you die. That's it in a nutshell; it's a contract that provides financial compensation after your death.

People often struggle with how much life insurance to buy. This all depends on what you are going to use the proceeds for or who you are trying to protect. Here are a few items to think about when determining the amount of coverage you need. Remember these are just a few examples.

- Replacing the primary breadwinner's income. Some families have opted to have only one spouse work outside the home; this income needs to be replaced completely and more than likely for a long period of time.
- Income replacement for your family, even if both you and your spouse currently work, few can live on one income today.
- Future needs of your family that you won't be around to pay for, college, weddings, burial needs, special needs for children, care of elderly parents.
- Paying for your spouse to go back to school and start a career or just to re-enter the job market if they have taken off time to raise children.
- Helping fund a charity you love. Yes, you can leave life insurance proceeds to churches, schools or other charities.
- Transferring your wealth, estate planning or accumulating cash. Many financial planners use life insurance after other vehicles are exhausted.

Consumer tip: The general rule of thumb for income replacement is 8 to 10 times your current income. Of course this is only a general rule. Your situation could be much different so consult your agent on exactly how much coverage to get.

As you can see there are quite a few uses for life insurance after you decide what you want to protect or what legacy you wish to establish. You now need to decide which vehicle or type of policy is best for your situation.

What Are My Choices ...

There are two basic types of life insurance and they each come with many options. Once you figure out the need or purpose of your life insurance, you can decide which type best fits your situation. Below is a quick description of the two basic types.

The first and most popular form of Life Insurance is Term. This might be best especially if you are young, healthy and starting a family. It is known for offering affordable rates or lower monthly payments. However, term life insurance will only cover you for a limited time. Think of it as renting a policy; when the time is up the policy ends. Then if you still need coverage you must start a new policy, and your health may have declined by then.

The other type of policy available is Permanent life insurance. This might be best if you are looking for something that will last much longer, maybe into retirement. Of course with Permanent life insurance you will generally pay more initially, but it may also cover you even when you are 90 or 100 years old as well as building up some cash value along the way.

As you can imagine, the right type of life insurance policy for you depends on one thing - your own individual situation. Everyone is different and everyone has different life insurance needs. As your life changes - as your children grow up, as your home is paid off, changes in your health - your life insurance needs may change as well.

Tell Me More About The Two Basic Types of Life Insurance...

Life insurance options might seem like a mystery, but just keep in mind there are really just two basic types: Term Life Insurance and Permanent Life Insurance. They both have advantages and disadvantages. Choosing the right one for yourself will depend on your unique situation. Before making your decision the choice may not even be an "either/or" decision - for you the right choice may be a mix of both term and permanent life insurance options.

Term Life Insurance

Term insurance gets its name from the fact that the coverage it provides is designed to last only for a certain amount of time - the term of the coverage. For this reason, term life insurance coverage is often considered a practical, short-term option for many young, healthy adults just starting a family.

Term life insurance offers some good advantages. For example, monthly premium rates are generally lower even for very large coverage amounts making this a very cost

effective option to get maximum coverage for a minimal price. This makes term life insurance a practical option for young adults, parents with young, dependent children and very often a monthly home mortgage payment to make.

There are some potential disadvantages to term life insurance that should also be considered. Mainly because the policy has a fixed coverage period (or term) -typically 10, 20, or 30 years. Although you may have an option to renew a term life insurance policy after it has expired, the cost may be higher to do so, with less affordable monthly premiums. A second type of life insurance coverage -permanent life insurance - might offer you better options when planning for your later years, beyond the typical term life insurance policy lengths.

Permanent Life Insurance

Permanent life insurance differs from term life insurance in specific ways. Rather than offering limited-term coverage, permanent life insurance policies - sometimes called “whole life insurance” - provide a pay-out to your designated beneficiary, in most cases, no matter how long you have lived. Permanent life insurance might be a good choice for you when considering your golden years, well beyond child-rearing and mortgage payments.

While monthly premiums for permanent life insurance may be higher than for term life insurance, over time this cost is offset by the accumulated “cash value” component of a permanent life insurance policy. What this means is that interest earned on the money you have paid for your policy can actually reduce your monthly premium as you age. In contrast, term life insurance premiums continue to get more expensive as an individual grows older and one’s health declines. For this reason, a permanent insurance policy may turn out to be a considerably cheaper option for you, if you live a long time.

Keep in mind, however, that the amount of coverage and beneficiary payout amount may not be as large for a permanent life insurance policy as that which a term life insurance policy could offer, for the same monthly premium.

How Do I Make My Choice?

By educating yourself about the two basic types of life insurance coverage-term life insurance and permanent life insurance - you have taken the first step toward determining what type of life insurance policy makes sense for your own unique situation. You also understand that your needs may change over time and that a combination of both term and permanent life insurance options may likely be a useful strategy for you throughout your life.

The choice between term life insurance and permanent life insurance is a trade-off. There is an upfront cost savings with term life insurance as compared to permanent life insurance. That savings could be put into other investments and could potentially provide a greater return. However, term life insurance policies are not for everyone and

they don't last a lifetime. Permanent life insurance policies do, and they accrue interest on their own cash value.

Beyond these two basic types of life insurance, there are a multitude of options offered in each category. Now that you understand the basics, your next step should be to contact a qualified life insurance agent who can help you determine the best life insurance strategy for you, given your own unique situation.

If you are ready to get started doing more research or ready to get some quotes on different policies give my office a call and let us guide you through finding the best choice and best protection for you and your family.

Don't wait till it's too late. I often have clients wait too long before they call thinking that nothing will happen. Then it's often too late to get a great premium because they have developed a major health issue in the interim. So pick up the phone and call us today:

(817) 336-2721 or (800) 814-6470

About KHT Insurance

KHT Insurance is an independent insurance agency specializing in business, personal and family risk management. KHT has been providing Personal Service since 1907. Their licensed insurance agents on staff are dedicated to educating and protecting their clients from financial disaster. You can reach them at: 200 W. Magnolia, Suite 201; Ft. Worth, TX 76104

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