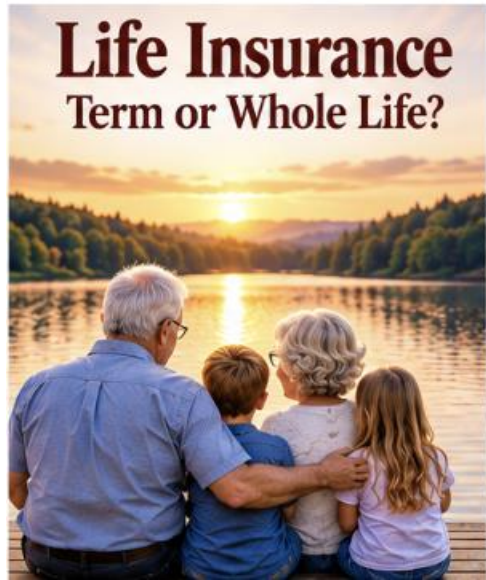




Life Insurance: Term or Whole Life?

Life insurance is different from most insurance because the insured event is inevitable. If the policy remains in force long enough, eventually the insured person will die.

The real question, therefore, is not whether death will occur. It is whether someone's death will create a financial problem for somebody else.

Why Buy Life Insurance?

Life insurance pays a death benefit to designated beneficiaries when the insured person dies, subject to the policy's provisions. A young parent might need substantial coverage because a surviving spouse and children depend upon that person's income. Life insurance might also help pay a mortgage, replace lost income, fund children's education or satisfy other financial obligations.

Years later, those needs can change. Children become independent, mortgages are paid off, retirement assets accumulate and the surviving spouse may have independent income. That is why life insurance needs should be reviewed periodically rather than automatically assuming that a policy purchased 30 years ago still meets today's needs.

Term Insurance Is Temporary Protection

Term life insurance provides coverage for a specified period—often 10, 20 or 30 years. If the insured dies while the policy is in force, the beneficiary receives the death benefit. Most term policies do not accumulate cash value. Because they primarily provide death protection, they are generally less expensive initially than permanent insurance.

Term insurance can therefore be particularly useful when the financial need itself is temporary. A 40-year-old parent, for example, might want coverage until the children are grown and a mortgage is substantially paid down.

Whole Life Is Permanent Insurance

Whole life insurance is designed to remain in force throughout the insured person's life as long as required premiums are paid. In addition to the death benefit, the policy builds cash value over time.

The policyholder may be able to borrow against that cash value or surrender the policy for its available value. Loans and withdrawals, however, can affect the policy and its eventual death benefit.

Whole-life premiums are normally substantially higher than premiums for comparable amounts of term insurance because the policy combines lifetime protection with a cash-value component.

Which Is Better?

Neither is automatically better. Term insurance can provide a large amount of protection relatively inexpensively when the need is temporary. Whole life can provide permanent coverage and accumulated cash value for someone who has a continuing need and can afford the premiums.

There are also other permanent policies, including universal and variable life insurance, with different costs, guarantees and investment characteristics. The important question is not "Which policy is best?" It is "What financial problem am I trying to solve?"

Be Careful Before Replacing an Old Policy

An old whole-life policy deserves particularly careful consideration before cancellation.

A long-held policy may have accumulated substantial cash value or contain guarantees that would be difficult to duplicate today. Your age and health could also make replacement coverage considerably more expensive—or unavailable.

The NAIC specifically advises consumers comparing an existing policy with a new one not to cancel the old coverage until the new policy is actually in force.

Life insurance is protection for the people you leave behind. As your life changes, the amount and type of protection you need may change with it.