

info sheet Choosing Life Insurance/2

Term Insurance

Term insurance is usually the most affordable life insurance option available, particularly at younger ages. It allows the policyholder to protect his or her family for a specified amount of time. It provides temporary coverage and builds no cash value. There are different types of term policies. Some have a premium that increases annually, while others provide coverage for a specific period of time with a level premium. When your needs change, many term policies can be converted to permanent life insurance.

Consider this option if you

- have a limited budget
- want lower initial premiums, allowing you to buy higher levels of coverage at a younger age
- have a specific temporary need you'd want covered in the event of your death, such as a car loan, college costs, or a mortgage
- don't need to build cash value
- have no other insurance needs once the temporary policy expires or have permanent insurance to cover your other needs

Universal Life Insurance

Universal life insurance, a "flexible premium" life insurance policy, can help you meet a variety of needs. Like whole life insurance, it builds cash value, but unlike whole life, it allows you to vary the amount and/or timing of premium payments, as well as to adjust the death benefit amount to adapt to your changing needs. Your premium payments go into an account value fund, to which interest is credited and from which the cost of your insurance coverage and other charges are deducted.

Consider this option if you

- need flexibility to change your premiums, coverage, or death benefit
- anticipate your circumstances may change, such as an addition to your family or additional financial needs you wish to cover
- want some of the benefits of whole life insurance (tax-deferred cash value accumulation and guaranteed death benefit) with greater flexibility

Note: If you are married, you might consider survivorship life insurance, also known as "second-to-die" insurance, as an alternative or supplement to single life insurance (when the policy insures the life of only one person). Since spouses can generally leave an unlimited amount of assets to each other without federal estate tax, most of that tax today is paid at the death of the second spouse. Survivorship policies insure both spouses under one policy, paying the death benefit at the second death when it is needed to pay taxes. The cost of this coverage is generally less than the cost of coverage on either spouse alone.

