

Term Life Insurance - The Advantages & Disadvantages

Term life insurance, like other forms of life insurance, has its advantages and disadvantages. While it is often the least expensive option, there are other factors that should be considered before signing a policy. This means careful consideration of all options, equally weighing all pros and cons. All types of life insurance are based off of term insurance. For a specified period of time, usually 10 or 20 years, the insured is covered if he or she should die while the policy is in effect. Term insurance is typically renewable, though the premium is likely to increase as the attained age of the insured will be higher.

With any insurance policy, it is best to purchase a policy as soon as possible in his or her life to lock in a lower premium. This is especially true for whole life insurance, since this is a policy that is typically paid for over the course of the person's lifetime. Term life policy holders will likely pay higher premium amounts upon policy renewal, as opposed to such policies like whole life insurance. However, consider the amount the premium will increase and the overall cost savings of term life insurance versus whole life insurance. Also, remember that premium amounts will be based upon the risk of the insured dying prematurely. Certain occupations and hazardous hobbies can result in a higher premium for any type of insurance policy. Keep in mind that the cost savings of term insurance versus whole insurance is likely enough to invest the difference. Whole life is often mistaken for a savings vehicle when it really should be used for estate planning purposes more than anything else. Term life is coverage in its purest form without any payout other than the death benefit, whereas whole life pays out if the insured dies or lives to 100 years of age. Regardless of the type of insurance to be purchased, deciding on a policy is best accomplished with some time to comparison shop for the best type and amount of coverage. The premium can vary between insurance companies, so visiting a website that allows the ability to comparison shop between various insurance companies is a great start to significant cost savings. Such a site should allow for filling out forms that give a direct comparison between different insurers for the same type of policy and amount of coverage, which could help significantly with the long term cost of any insurance policy.