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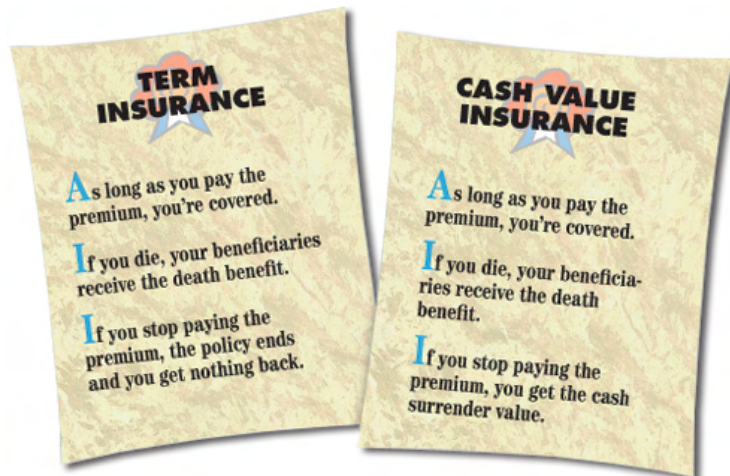
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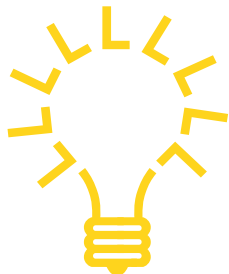
Types of Life Insurance

You can buy life insurance that protects you for a limited period of time or stays in effect until you die.

All life insurance policies work on the same basic premise: You make payments—called **premiums**—to the insurance company, which promises to pay your beneficiaries a **death benefit** when you die.



But there are major differences between **term** and **cash value** policies. What you buy will depend on how much you can afford, how long you need the coverage, whether you want only protection or cash accumulation as well and how much effort you want to spend shopping for the best deal.



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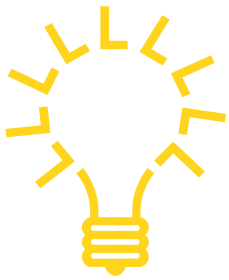


The most straightforward and often least expensive type of coverage is **term insurance**. You can buy it one year at a time, or for a specific period—say five or ten years.

If you die during the term, your beneficiaries collect. But if you're alive when the policy expires, the coverage ends and there's no payout. With a **decreasing** term policy, the face amount diminishes each year. This gives you the most protection at the beginning and very little towards the end, when you may need less coverage anyway.

If you need life insurance for ten years or less, term insurance is almost always less expensive because the premiums on term policies tend to be lower than on whole life policies. The least expensive term policies available are usually those you're eligible to buy through your job, an association of which you are a member, or some other group.

Unlike cash value policies, term policies don't accumulate cash savings that you can get back or borrow against.



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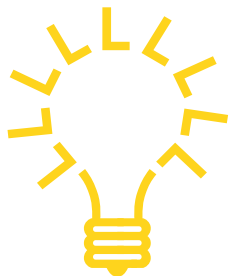
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RENEWABLE vs. LEVEL TERM

All term insurance isn't the same. **Annual renewable** policies can be renewed year after year, often with ever-higher premiums. With **level premium** policies, your payments are fixed for the entire term, say five or ten years. Though your initial premiums are higher, they don't rise during the term, which can mean substantial savings over time.

You can get a sense of the comparative cost of different term policies by talking to an insurance agent. You might want to check for information online by typing "term life insurance" into your favorite search engine. But before you buy, be sure to check the rating and reputation of the firms offering the coverage.





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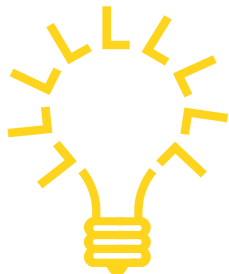
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In contrast to term policies, cash value policies combine a death benefit with tax-deferred savings. Part of the premiums you pay forms a cash reserve, which accumulates tax deferred earnings.

If you surrender the policy, you get the cash reserve back. When you die, your beneficiaries get the death benefit.

If you drop the policy, you get to keep some of the cash reserve—this is the **cash surrender value**—but you'll owe income tax on your gain if the amount you get back is greater than the premiums you paid. If you hold the policy until you die, however, your beneficiaries owe no income tax on the payment they receive.



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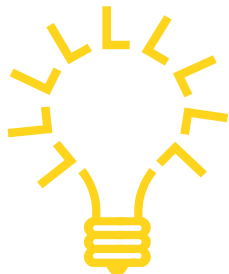
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TYPES OF POLICIES

Despite the seemingly endless varieties, there are two basic types of cash value insurance:

- 1 Whole life**, sometimes called **straight life**, is the most traditional. The premiums stay the same for the length of the policy. Once you've paid all the premiums, the policy remains in effect until you die. You accumulate a cash reserve, but you have no say over how the money is invested.
- 2 Universal life** offers some flexibility. You can vary the amount of the premium by applying a portion of the accumulated savings to cover the cost. You can also increase or decrease the amount of the death benefit while the policy is in force. But you pay for this flexibility with higher fees and administrative costs.

Typically, there's a guaranteed rate of return on the savings portion for the first year, and a minimum, or floor, for the life of the policy.



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CAN YOU BORROW AGAINST YOUR INSURANCE POLICY?

Whether you can borrow depends on the type of policy you have. You can't borrow against a term policy. But with a cash value policy you can borrow against your cash reserve.

If you don't repay, the amount of the loan is deducted from the benefit paid at your death. Loan rates on cash value policies are generally lower than prevailing market rates, but you risk leaving less for your dependents.

WHO SELLS INSURANCE?

If life insurance coverage is not available as part of your employee benefits, and you can't buy it through a group, you can contact an **insurance agent** or **broker**, visit your bank, speak with a financial planner or do an online search.

An agent represents one insurance company, while a broker can offer policies provided by several different insurers.

In most cases, you'll want to compare a number of policies to find the best one for you.

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