



Speaking broadly, there are two kinds of life insurance — term life and whole life. Just as the names suggest, term policies provide coverage at a fixed rate for a designated period term. Whole policies remain in effect throughout the lifetime of the insured.

### **What is Term Life Insurance?**

Term life insurance refers to policies that provide coverage over a pre-designated, yet customizable, period of time. Typically, term life has comparably low monthly premiums, which remain stable throughout the duration of the term. Under the parameters of a term life insurance policy, designated beneficiaries are guaranteed a set payout amount upon the insured's death.

### **What is Whole Life Insurance?**

Whole life insurance policies are designed such as to last until the policyholder dies. Due to lifelong coverage, monthly premiums are typically much higher than term. Conversely, stable rates and payout amounts are guaranteed upon the policy's activation. As opposed to other variants of life insurance, whole life policies also accumulate cash value over time, and present the policyholder opportunities to collect dividends on an annual basis.

## What Are the Policy Differences?

Policy	Whole life	Term life
Customizable Length	X	✓
Lifelong Coverage	✓	X
Low Premiums	X	✓
Cash Value Accumulation	✓	X
Annual Dividend Eligibility	✓	X
Stable Premium Rate	✓	✓
Guaranteed Payout Amount	✓	✓

## What Are the Cost Differences?

Amount	Whole Life*	30 year Term*
\$250,000	\$3,508	\$384
\$500,000	\$6,910	\$687
\$1,000,000	\$13,700	\$1281

\*Average annual rates for males, aged 40

## Making a Final Decision

Ultimately, the decision between term and whole life insurance depends on the policyholder's intention. Term life is great for those who wish to cover their family's expenses in the event of an untimely death. This income replacement could allow beneficiaries to continue paying expenses, including mortgages and education tuition, or to otherwise maintain quality of life. Term life insurance

policies are typically set to last until expected retirement age, or until the policyholder's children are no longer financially dependent.

Whole life insurance, on the hand, is a great option for those who wish their final expenses to be covered. These may include hospital bills, funeral costs, and debt settlements. Since whole life insurance is guaranteed to last until the death of the policyholder, the stresses associated with end-of-life arrangements can be alleviated for the insured's beneficiaries. Should one desire to explore these options further, our [top providers of life insurance](#) would be more than happy to assist.