

What Is Term Life Insurance And Is it Right For Me?

With all the types of life insurance policies available on the market, choosing which one is right for you can be a difficult decision. Term life insurance is just one of the many policy types available to you, but knowing whether it is the best choice depends on a few factors. Here are some facts about what term life insurance is and whether it is the type of life insurance you should have.

What Is Term Life Insurance?

Term life insurance is a policy in which the purchaser is covered for a predetermined amount of money which will be paid out to their designated beneficiary when they pass away. The policy is only valid within a specified term, usually a set number of years, or until either the individual covered or the beneficiary reaches a certain age. It is the most inexpensive way to purchase life insurance and usually offers the largest payout. This is because it has an expiry date. If you pass away after the term expires the insurance company owes no money to your beneficiary.

How Does Term Life Insurance Work?

With a term life insurance policy you select a term for which you want the policy to be valid; this can range from one to 30 years, with common term policies in the 10 and 20 year range. The premiums you pay will not increase for the life of the policy. The premium cost is based on a number of factors such as your age, current health, and other health-related risk factors. In general, the younger you are and the healthier you are, the lower your premiums will be.

Is Term Life Insurance Right For Me?

There are differing viewpoints about which type of insurance is best, depending on your personal circumstances, but overall term life insurance is often a good idea. While the idea of having your policy expire with no payout may sound like a waste, especially when there are policies that do offer a return, in most cases if you simply invest the difference in other more secure investments your return in the long term will yield higher results. Also, if you are still a number of years from retirement your premiums will usually be very low and your return for investing in this type of life insurance-investment strategy is likely to pay off nicely.

Overall, the younger you are, the better term life insurance is for you. At any age it can be the best choice, but for those you are looking to get protection for the first time, especially if you have a young family, a large mortgage, and a number of debts, this is an inexpensive way to ensure your loved ones are protected should the worst occur.

