

What Term Length Is Right For Me?

If you have decided on term life insurance, you will next have to choose a term length. What you choose depends on several factors ranging from your budget to your life insurance needs.

What Does Term Length Mean?

Term length describes the period of time for which the life insurance policy will be in force. A term policy is an affordable choice for life insurance because there is an end date to the policy, reducing the insurance company's risk of having to pay out on the policy. The shorter the term, the lower the risk taken on by the insurer, so the premium is lower. Term life policies start with lengths as short as five years and usually go up to thirty years, depending on the company.

How To Choose a Term

The biggest deciding factor in how long your term life policy should be is the length of time you will require the policy coverage. Why are you taking out the policy? Do you want coverage to be in force until your children are adults? Are you looking for coverage for the length of your mortgage? These are two of the most common factors in term life. If your children are very young and you want to ensure there is a policy in force at least until they are old enough to care for themselves, then a 20 year term is probably the minimum you want to consider. If you just bought your house and want to cover the mortgage, consider a 30 year term-but remember that the amount owed on the mortgage will decrease as you pay it off. This means you might be able to choose a shorter term.

What About Short Terms?

The shortest of policy terms, five and ten year for example, are generally selected when the premium amount is too high due to age or health concerns for the insured to afford a longer term. In some cases a short term may be taken out because a previous term policy has expired and a few more years of coverage are needed. For the majority of people, spending a little more money every month on a longer term policy in the first place would be a wise choice to avoid overpaying on a short term policy later on.

When choosing a term length, it is always a good idea to take out the longest term at the highest coverage amount that you can afford. Sometimes a shorter term with higher coverage is desirable; find the right balance between the coverage amount, the length of the term, and the premium by discussing it with your insurance agent.