DAY & NIGHT SERVICES

FREE GUIDE

Term or Permanent? Life Insurance in Plain English

Most people don’t know which kind they have. Here’s how to find out in ten minutes — and what the difference actually costs you.

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Most people genuinely don’t know

Ask someone what kind of life insurance they have and you usually get one of three answers: “the one through work,” “I think whole life?”, or a long pause.

That’s not a knowledge failure — policies get sold quickly and nobody sits you down afterward to explain what you bought. But the difference between the two main types is enormous: what it costs, how long it lasts, and whether your family is covered on the day it matters.

The two families

TEMPORARY

Term life

Covers you for a **set number of years** — commonly 10, 20, or 30. If you pass away inside that window, your beneficiaries receive the death benefit.

If the term ends and you’re still living, coverage stops and there’s no payout. Generally the least expensive way to buy a large death benefit. Builds no cash value.

LIFELONG

Permanent life

Designed to last your whole life, as long as the policy stays funded. Includes a **cash value** component that can grow over time.

Costs meaningfully more per dollar of death benefit than term. In exchange, it doesn’t expire.

The three permanent varieties you’ll hear about

- **Whole life** — fixed premium, guaranteed death benefit, cash value that grows at a contractually guaranteed rate.
- **Indexed universal life (IUL)** — flexible premium; cash value credited based on the movement of a market index, subject to a cap on the upside and a floor limiting index-driven losses. **It is not a direct investment in the market.**
- **Final expense** — a small permanent policy meant to cover funeral and burial costs. Easier to qualify for at older ages.

THE HONEST VERSION

Neither type is “better.” Term buys the most protection per dollar for a defined period. Permanent buys coverage that doesn’t expire, plus cash value. Which one fits depends entirely on your situation — that’s what the next two pages help you work out.

What actually differs

	TERM	PERMANENT
How long	A set number of years	Your whole life, if kept funded
Cost per $ of benefit	Lower	Higher
Cash value	None	Yes, grows over time
Premium	Usually level for the term	Fixed, or flexible by type
If you outlive it	Coverage ends, no payout	Still in force
Commonly used for	Mortgage years, raising children, income replacement	Lifelong needs, final expenses, estate and legacy planning

Find out what you have — ten minutes

1. Find your policy documents, or log into the carrier's website.
2. Look for **"Term"** or **"Whole Life" / "Universal Life" / "Indexed Universal Life"** on the first page or the annual statement.
3. Check for a **cash value** or **accumulation value** line. If there is one, it's permanent. If there isn't, it's almost certainly term.
4. Find the **expiration or maturity date**. Term policies have one. Write it down.
5. Confirm the **named beneficiary** — and whether it's still the person you'd choose today.

THE ONE PEOPLE GET WRONG

Coverage through your employer usually ends when the job does, and it's often a modest multiple of salary. If that's your only policy, your family's protection is tied to your employment. Worth knowing before you need it.

Five questions worth answering first

1. Who depends on my income right now?

Spouse, children, a parent, a business partner. This sets the amount before it sets the type.

2. How long will they depend on it?

Until the mortgage is paid? Until the youngest finishes school? For life? This is usually what points toward term or permanent.

3. What would actually have to be paid?

Mortgage balance, remaining debts, final expenses, years of income, education. Add it up rather than guessing a round number.

4. What do I already have — and does it end?

Employer coverage, an old policy, association coverage. Note the expiration dates.

5. What can I comfortably pay every month, permanently?

The best policy is the one that stays in force. A lapsed policy protects nobody.

A CAUTION WORTH STATING PLAINLY

Be wary of anyone who recommends a specific product before asking these questions, or who pushes you to replace an existing policy without a written comparison. Replacing coverage can restart contestability periods and trigger surrender charges. **Get the comparison in writing.**