

## Deciphering Life Insurance: What's the Difference Between Term and Whole Life?

Matters of life and death can be complex. If you've been thinking about purchasing a life insurance plan, you know it isn't easy to choose the best option to protect your loved ones from hardship. With so many options to choose from and jargon to decipher, life insurance can seem too complicated.

If life insurance seems intimidating, know first of all that there are a variety of options that can fit every need and income. If you have loved ones who depend on you, then you should have life insurance for your peace of mind and the safety net it can provide them.

When deciding between term life and whole life insurance, the best plan for you and your loved ones depends on your situation and what you want from your policy. A little information and making some basic decisions about what your top priorities are can quickly clarify which plan is best for you.

If you are considering life insurance, it's better to buy now, rather than later. The younger and healthier you are, the lower your premiums will be, and you will have more flexibility and options available to you.

### TERM LIFE INSURANCE

According to the ACLI Life Insurers Fact Book for 2011, 39 percent of new individual policies in 2010 were for term insurance.

Term life insurance is the least expensive and simplest form of insurance. It provides coverage for a specified time period or term—most often 10, 20, or 30 years—and is designed for temporary circumstances. At the time of application, the insured applies for a specific amount of coverage and selects the term option. Coverage amounts can range anywhere from \$10,000 to several million dollars.

If the insured dies during the term, the insurance company pays the face amount of the policy to the beneficiary. Unlike whole life insurance, term life insurance does not build cash value. When the specified term of the policy ends, the policy expires. However, at the end of the term, the policy may offer the option of renewing the policy or converting to a whole life plan.

The premium for a term life insurance policy is guaranteed for the selected term, so you know how much the coverage will cost from month to month and year to year. For

example, Aflac\* has a \$100,000 10-year term life insurance policy for a healthy 35-year-old male for as low as \$15.10 a month (nontobacco user, payroll rate).

Term coverage is often purchased by those who need coverage for a specific time period, such as while they have young children or children in college, or are carrying a large debt load.

## WHOLE LIFE INSURANCE

Whole life insurance provides coverage for the insured's entire life, not just for a specific period. At the time of application, the insured applies for a specific amount of coverage. Coverage amounts can range anywhere from \$10,000 to several million dollars.

The premium for a whole life insurance policy is guaranteed, so you know how much the coverage will cost from month to month and year to year. Plus, the coverage is also guaranteed—coverage continues for as long as you pay your premiums.

Whole life insurance builds cash value, which is a return on a portion of your premiums that the insurance company invests. A whole life policy gives you a guaranteed minimum rate of return on your cash value portion. Any increase in the cash value of a whole life policy is not subject to income tax while the cash remains

in the policy. Loans on the policy's cash value can be used to help meet retirement needs, to help with college tuition, or to help address any other bills the insured may face.

If the insured dies while the coverage is active, the insurance company pays the face amount of the policy plus the policy's cash value to the beneficiary.

Whole life coverage is purchased by those who want to make sure their family will be taken care of financially, and if they are left with any debts or financial burdens, then those can be paid off by the whole life policy.

Don't let life insurance intimidate you; once you break down the options and decide what you need most, choosing a plan is simple. The peace of mind you and your loved ones can get with life insurance is priceless.

## CONCLUSION

Don't let life insurance intimidate you; once you break down the options and decide what you need most, choosing a

plan is simple. The peace of mind you and your loved ones can get with life insurance is priceless.

\*Aflac individual insurance coverage is underwritten by American Family Life Assurance Company of Columbus. Group insurance coverage is underwritten by Continental American Insurance Company (CAIC), a wholly-owned subsidiary of Aflac Incorporated. CAIC is not licensed to solicit business in New York, Guam, Puerto Rico, or the Virgin Islands. For groups situated in California, group coverage is underwritten by Continental American Life Insurance Company. For Aflac individual insurance coverage in New York or Aflac coverage for groups situated in New York, coverage is underwritten by American Family Life Assurance Company of New York.