

Life Insurance Policies Explained

Six Basic Types of Life Insurance

No matter how fancy the policy title or sales presentation might appear, all life insurance policies contain benefits derived from one or more of those three basic kinds shown below.

Some policies due combine more than 1 type of life insurance and may be confusing.



Term Life Insurance

Endowment Life Insurance

Whole Life Insurance

Variable Life Insurance

Universal Life Insurance

Variable Universal Life Insurance

Term Life Insurance

Term life insurance is death protection for a term of a couple of years. Many companies are offering policies with terms up to thirty decades. Premiums on term insurance remain level throughout the life span of this coverage. Term Life Insurance has no cash value accounts. Death benefits will be paid only in the event that you die within that period of years.

[What is the Best Life Insurance](#) Every time you renew the coverage for a new term, premiums will be higher. You should check the premiums at older ages and the duration of time the coverage could be continued.

Endowment Life Insurance

This implies that until the end of the conversion period, you might trade the term policy for a whole life or endowment insurance policy even if you're not in great health. Premiums for the new policy will probably be greater than you've been paying for the term insurance.

An endowment insurance policy pays a sum or income to you, the policyholder, if you live to a specific era. In the event that you should die before then, the death benefit could be paid to a beneficiary. Premiums and cash values for endowment insurance are higher than for the exact same quantity of whole life insurance plan. Thus, endowment insurance provides you the least amount of death protection for your premium dollar.

Whole Life Insurance

Whole life insurance provides death protection for as long as you reside. The most common type is called straight life or ordinary life insurance, for which you pay the very same

premiums for as long as you reside. These premiums can be several times greater than you would pay initially for the exact same amount of term insurance. However, they are smaller than the premiums you would eventually pay if you were to keep renewing a term insurance policy until your later years.

Some whole life policies allow you to pay premiums for a shorter period such as 20 decades, or before age 65. Premiums for these policies are higher than for ordinary life insurance since the premium payments are squeezed into a shorter interval.

Although you pay higher premiums, to begin with, for whole life insurance than for term insurance, whole life insurance policies develop cash values that you might have if you stop paying premiums. You can generally either take the cash, or use it to purchase some continuing insurance coverage. This refers to benefits you don't lose or forfeit when you stop paying premiums. The total amount of the benefits depends upon the type of coverage you have, its size, and how much time you've owned it.

A policy with cash values may also be utilized as collateral for financing. Should you borrow from the life insurance provider, the interest rate is shown on your policy. Any money that you owe on a policy loan would be deducted from the benefits if you should die, or from the cash value if you should cease paying premiums.

Variable Life Insurance

The worth of these death benefits may fluctuate up or down based on the performance of the investment portion of the policy. Most variable life insurance policies guarantee that the death benefit won't fall below a specified minimum, however, a minimum cash value is seldom guaranteed. Variable is a form of whole life insurance and because of investment

risks it's also considered a securities contract and is regulated as securities under the Federal Securities Laws and must be sold with a prospectus.

Universal Life Insurance

The insurance component of this policy is separated from the investment part of the policy. The cash value portion of the coverage is put up as an accumulation fund. The death benefit portion is paid for from the accumulation fund. Unlike Whole Life Insurance, the cash value of Universal Life Insurance grows at a variable speed. Usually, there's a guaranteed minimum interest rate applied to the policy. However badly the investments go by the insurance carrier, you're guaranteed a certain minimal return on the money portion.

Variable-Universal Life

The total amount of the benefit is determined by the success of your investments. If the investments fail, there's a guaranteed minimum death benefit paid to a beneficiary upon your death. Variable universal gives you more control over the money value account portion of your policy than any other insurance plan. A kind of whole life insurance, it has elements of both life insurance and a securities contract.

Rates and coverage vary from state to state. Shop around on your own and speak with an independent insurance agent to be certain that you get a plan that's ideal for you. It is wonderful how much rates may differ from company to company for the exact same coverage.

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