

Why should I purchase permanent insurance?

A permanent life policy provides lifelong insurance protection. The policy pays a death benefit if you die tomorrow or if you live to be a hundred. There is also a savings element that will grow on a tax-deferred basis and may become substantial over time. Because of the savings element, premiums are generally higher for permanent than for term insurance. However, the premium in a permanent policy remains the same, while term can go up substantially every time you renew it.

There are a number of different types of permanent insurance policies, such as whole (ordinary) life, universal life, variable life, and variable/universal life. In a permanent policy, the cash value is different from its face value amount. The face amount is the money that will be paid at death. Cash value is the amount of money available to you. There are a number of ways that you can use this cash savings. For instance, you can take a loan against it or you can surrender the policy before you die to collect the accumulated savings.

There are unique features to a permanent policy such as:

- You can lock in premiums when you purchase the policy. By purchasing a permanent policy, the premium will not increase as you age or if your health status changes.
- The policy will accumulate cash savings. Depending on the policy, you may be able to withdraw some of the money. You also may have these options:
 - Use the cash value to pay premiums. If unexpected expenses occur, you can stop or reduce your premiums. The cash value in the policy can be used toward the premium payment to continue your current insurance protection – providing there is enough money accumulated.
 - Borrow from the insurance company using the cash value in your life insurance as collateral. Like all loans, you will ultimately need to repay the insurer with interest. Otherwise, the policy may lapse or your beneficiaries will receive a reduced death benefit. However, unlike loans from most financial institutions, the loan is not dependent on credit checks or other restrictions.

Source: *Insurance Information Institute, Inc. (www.iii.org)*