

Why Permanent Life Insurance?

Permanent life insurance is distinguished from term insurance in several ways.

While term insurance provides protection only for a specific period of time, permanent insurance can provide protection for your entire lifetime, or in certain instances, up to a specific age -- at which point the carrier will pay the policy owner the cash value.

In addition, permanent life insurance policies can build a cash value -- money that you can borrow against and, in some instances, withdraw to help meet future goals, such as paying for a child's college education. Note: You will usually have to wait a period of time after the purchase of your policy for sufficient cash value to accumulate for you to borrow against. If the unpaid interest on your loan plus your outstanding loan balance exceeds the amount of your policy's cash value, your policy and all coverage will terminate.

Permanent life insurance policies enjoy favorable tax treatment. Cash value growth is generally on a tax-deferred basis, meaning that you pay no taxes on any earnings in the policy so long as the policy remains in force. And money can be taken out of the policy without having to pay taxes, since policy loans generally are not considered taxable income, and withdrawals generally can be taken up to the amount of premiums paid without being taxed.

The two general types of permanent life insurance policies are Whole Life, a dividend-paying policy,* and Universal Life, a flexible policy.

*Dividends are not guaranteed.

Who's it for?

People who...

- * Know their need for life insurance is long term.
- * Want to accumulate a cash value to provide funds for education, retirement or other future goals.
- * Want to take advantage of the tax-favored treatment of cash value life insurance policies.

Benefits:

- * Over time, permanent insurance may be more economical than term insurance since premiums do not increase with age and the policy can build a cash value.
- * Earnings, and certain withdrawals and loans, may qualify for tax-favored treatment.
- * Policy loans and withdrawals provide access to your cash value.
- * If you cancel the policy, the accumulated cash value is yours to use as you wish. Surrender charges and taxes may apply.

Some Drawbacks to Consider:

- * Permanent insurance is initially more expensive than term insurance.
- * Unlike term insurance, permanent insurance offers no conversion option — the ability to exchange it for another type of plan later. Make sure the policy you buy is the one you really want.
- * Loans, withdrawals, and any unpaid loan interest generally reduce the death benefit, which could leave beneficiaries inadequately protected.