

# Term Life Insurance



## Term Life Insurance

Term life insurance derives its name from the fact that the coverage it provides is designed to last only for a certain amount of time—the term of the coverage. For this reason, term life insurance coverage is often considered a practical, short-term option for many young, healthy adults just starting a family. Term life insurance offers some distinct advantages. For example, monthly premium rates are relatively low (for young, healthy individuals) and the amount of coverage and beneficiary payout, in the event of your unfortunate passing, is often quite high, relative to the amount you are required to pay in. This makes term life insurance a practical option for young parents with young, dependent children and very often a monthly home mortgage payment to make.

There are some potential disadvantages to term life insurance that should also be considered. Because the policy has a fixed coverage period (or term)—typically in the range of 10, 20, or 30 years—this type of coverage is not a long-term solution. Although you may have an option to renew a term life insurance policy after it has expired, the cost may be higher to do, with less affordable monthly premiums. A second type of life insurance coverage—permanent life insurance—might offer you better options when planning for your later years, beyond the typical term life insurance policy lengths.

## Two Basic Types of Life Insurance

Life insurance options can seem complicated. However, keep in mind that there are really just two basic types: Term Life Insurance and Permanent Life Insurance. Each one functions differently; each has advantages and disadvantages depending on your unique situation. The right choice may not even be an “either/or” decision— for you the right choice may be a combination of both term and [permanent life](#) insurance options.

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