

What is Term Insurance and who needs it?



What is Term Insurance?

Term Insurance is the basic form of life insurance coverage that covers you for death, (from accidents and illnesses) total and permanent disabilities and terminal illnesses. It provides coverage for a specific period of time and once the term of insurance ends, the coverage ceases.

Who should consider buying a Term Insurance?

The main purpose of Term Insurance is to provide protection for your family and dependents. Thus, it is meant for those who wish to protect their families from financial hardships in the event of death of the insured person. It is also suitable for those who have a limited budget but need life insurance coverage.

Does Term Insurance have any cash value?

In contrast to whole life or universal life insurance, Term Insurance does not build cash value. It is purely a protection insurance.

What are some of the benefits of buying a Term Insurance?

- Term Insurance is a one of the most affordable type of life insurance as compared to whole life or universal life insurance. It is a relatively low cost and high coverage life insurance plan. Those who require life insurance coverage but have certain budget constraints can consider buying a Term Insurance as the premiums are affordable.
- The premium rates are guaranteed, meaning that the premium you pay remains the same throughout the term of policy. It is recommended that you purchase a Term Insurance when you are young as the premium rates can be substantially lower and affordable.
- For families who have young children, they would need life insurance to relieve the family of any economic hardship in the event of death of the sole-breadwinner. Even if both spouses are working, the death of any spouse will mean a loss of the income which may be used to pay for children's education or carry on with daily life activities. By having a Term Insurance, it can relieve some of these financial strains for the surviving members of the family.

What are some considerations when buying a Term Insurance?

- There is no accumulation of cash value. You may not be able to withdraw any cash value as policy loan in emergency situations.
- The coverage ceases once the policy term expires.
- If you are buying the Term Insurance to sustain your dependents should you pass away during the term, you may need to consider whether a 10 year, 20 year or 30 year protection policy is sufficient to see through the years of your children's education until they are financially independent.

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