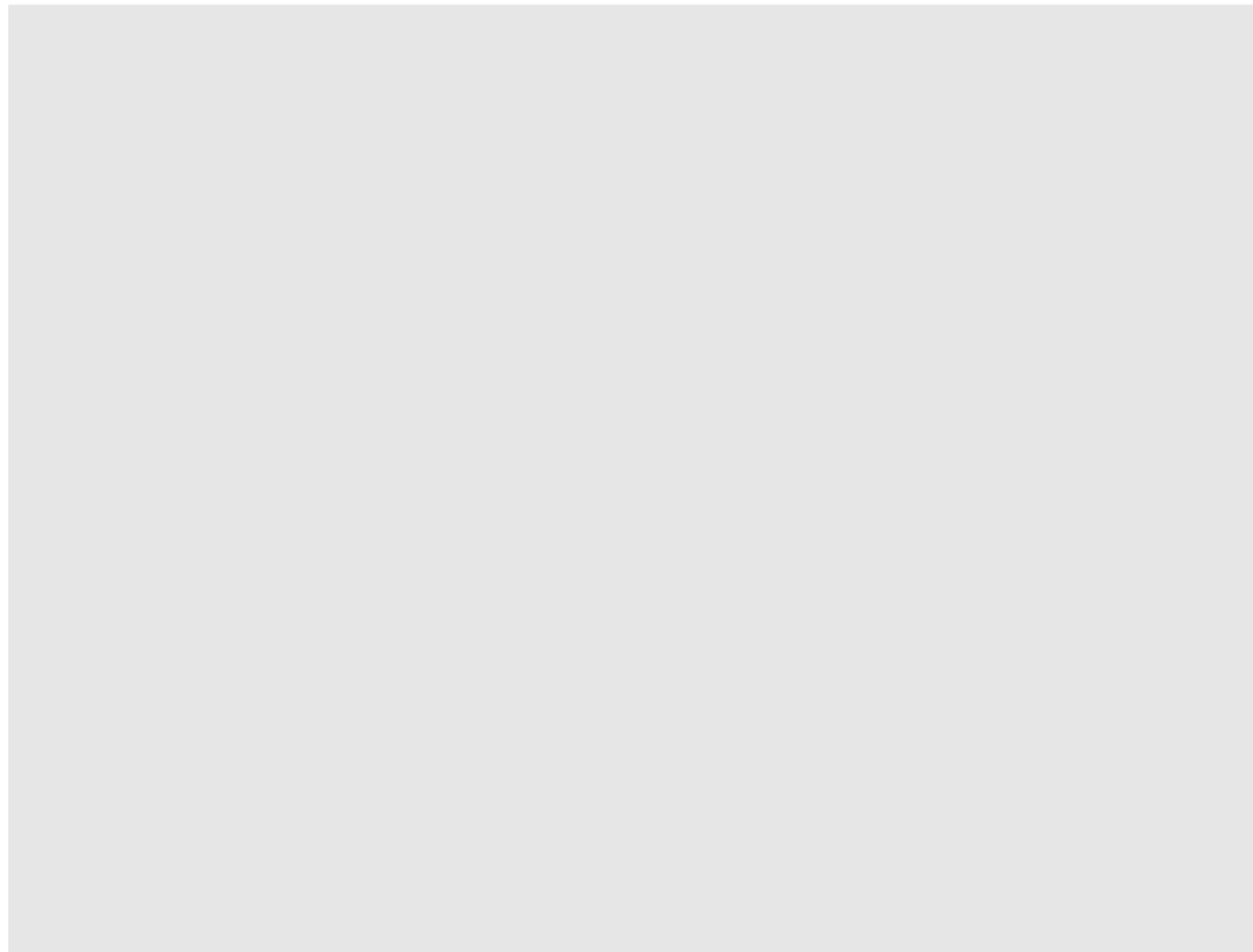


https://www.unionleader.com/news/business/money_sense/marc-a-heberts-money-ense-should-you-convert-your-term-life-to-permanent-life-insurance/article_99e0fb0a-e7df-5759-9ca8-bfdb1b5506b1.html

Marc A. Hebert's 'Money \$ense': Should you convert your term life to permanent life insurance?

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YOU MAY have a term life insurance policy that you purchased in order to cover you for a specific period of time. This is where the label term insurance comes from since such a policy lasts for a certain term in your life.

If you continue to pay the premiums, the face amount (also called the death benefit) of the policy is paid to your beneficiaries if you pass away during this time period. Once the term ends, the coverage from this type of policy ends. There is no accumulation of cash value within the policy, and nothing is paid to you when the term of the policy expires.

This is in contrast to a permanent life insurance policy, such as universal life insurance or whole life insurance. Permanent life insurance builds cash value and provides coverage for life as long as you keep the premiums paid. This works by having part of the premium pay for the policy's death benefit and any amount left over accumulating in cash.

Another aspect of the cash value is the ability to borrow against it or withdraw it. Be aware that doing this may decrease your death benefit.

Term insurance costs less than permanent life insurance. However, most term policies allow for the conversion of the policy into a permanent policy. The amount of insurance converted to a permanent policy can be for an equal amount of death benefit as what the term policy provided or less.

There are some reasons for converting a term policy. Here are a few for you to consider:

What life insurance coverage do you need? Sometimes circumstances change. What may have been a temporary need becomes a permanent need. Perhaps your health has changed during this time, making life insurance difficult if not impossible to obtain. Converting a term policy to a permanent policy may be appropriate since it can be done without a medical exam.

Another consideration is the cost. We mentioned that term insurance is typically less expensive than permanent life insurance to provide the same amount of coverage. At one point, perhaps term insurance made the most sense considering your budget. Now, however, you might be able to afford a higher premium. A permanent type of policy might fit the budget and your insurance needs.

You might want some life insurance to pay for your last expenses and your funeral. If the premiums are paid, a permanent policy helps ensure the funds are there.

The same holds true of leaving a legacy. If you want your loved ones to have an inheritance, a permanent life insurance policy could accomplish this.

Finally, maintaining liquid assets to pay estate taxes at your death could be a reason for converting a term policy. If you feel you might be subject to estate taxes, make sure to discuss the use of a permanent life insurance policy to meet these needs with your financial advisor and estate planning attorney.

If you are thinking of converting your policy, be sure to ask your insurance agent the following:

Can the policy be converted?

At what point do I have to make the decision to convert?

What are my options for a permanent policy?

Do I have to convert the full amount of the term policy or can only part be converted?

What is the premium going to be for the permanent product?

Consider the answers your insurance agent provides in making your decision. Be sure to factor in your insurance needs as well as your current and future finances. As you can see, there are a lot of factors to consider when deciding to convert your term policy.

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