

Term life or Permanent insurance — which is **best for you?**

What's the best life insurance to buy? The simple answer is: it depends on your short- and longer-term needs and preferences for flexibility and risk. After reading the information provided below, perhaps you will decide the correct solution is a combination of both. Please read on

There are two kinds of life insurance - term life insurance and permanent insurance. They are two very different kinds of protection that satisfy very different life insurance needs.

Term Insurance (for a specific time period) may be all the insurance you will ever need, or it may be used as an interim step before purchasing permanent life insurance (which protects you for a lifetime). However, possibly a combination of term and permanent in the same policy may be the best solution for you.

Let's look at the strengths of each, and their differences.

Term Life Insurance

Here are some things to consider about term insurance:

Young family with a limited budget: You have a young family and need life insurance, but your current budget does not allow much for premiums. Term insurance is well suited to meeting high, short-term protection needs for the lowest initial cost per \$1,000 of benefit.

Temporary needs: You're looking to cover a temporary need, such as a mortgage or business loan. Term insurance can cover most debt in a cost-effective way.

Your needs will change: You've identified your immediate financial security goals and needs, but anticipate that they'll change in the future. Many term insurance plans do a good job of meeting immediate needs and give you the freedom to later move or "convert" to a permanent product. However, this ability to convert to permanent life insurance will often expire at age 65; or as late as age 75 with some companies. It's important to understand any conversion restrictions when purchasing term insurance in anticipation of changing insurance needs.

Your child's future: You want to provide the necessary resources for your child's future. Term insurance is an inexpensive way to put a foundation of insurance in place for your child. Term insurance often offers the flexibility to convert to a permanent policy. You can also choose an option that guarantees the child the right to buy additional life insurance in the future, regardless of the state of his or her health.

Business partners' planning: You're in business with a partner and would like to ensure that you have the funds to buy that partner's interest at death or retirement. Term insurance will work in the short term in the event one of the partners dies. However, term insurance can't provide funds for a buyout at retirement.

Paying estate taxes and leaving a legacy for heirs or a favourite charity: You'd like to ensure that taxes owing on your estate are paid, leaving your assets intact for your heirs. Or perhaps you'd like to leave a legacy for your favourite charity. Term insurance provides coverage only for a specified period, often only until you reach age 75 or 80, so it's quite possible you will outlive your insurance. Therefore, term insurance should generally not be used for protecting your estate or leaving a legacy for your heirs or a favourite charity.

Supplementing retirement income: You'd like a tax-effective way of supplementing retirement income for you and your spouse while providing insurance protection to transfer your estate intact to your heirs. Most term insurance does not contain cash values, and therefore, it cannot meet this need.

Permanent Life Insurance

Permanent coverage can work very well when you expect to have an ongoing or lifetime need for insurance. Permanent coverage offers considerable flexibility and options during your lifetime. Some permanent policies have cash values that may accumulate over time. These cash values may be used to help finance a business opportunity, a sabbatical, or retirement. Some permanent policies offer more flexibility than others - be sure to ask for details.

Providing for an estate: The proceeds from a permanent life insurance policy can provide your heirs or estate with the liquidity needed to pay final taxes, capital gains and settlement costs, preserving as much as possible of your estate (cottage, family business, investments, etc.) for your heirs.

Coverage that grows with your child: A permanent life insurance policy provides an asset and flexibility that grows along with your child. The relatively low guaranteed premium that starts your child's insurance program can be maintained throughout adulthood. You can help protect your child's ability to enhance his or her insurance program by including an option in the policy that guarantees your child the right to buy additional life insurance in the future, regardless of your child's state of health. Later, when your child takes control of his or her own financial planning, ownership of the policy can be transferred to the child on a tax-deferred basis, creating potential tax advantages as well.

Creating a tax-advantaged asset: Purchasing a permanent life insurance policy using excess income or cash is an ideal way to create a tax-advantaged asset while you are alive. It also enables you to leave a meaningful gift, outside your estate, to your heirs or a favourite charity. By naming the charity as both owner and beneficiary of the policy, the annual premium is eligible for a tax receipt as a charitable donation each year.

Small-business succession planning: Permanent insurance not only provides benefits at the time of your death, but it can also provide a source of income during your lifetime. The death benefit can be used to provide funds to buy out the partner's interest at the time of death. The cash value that may accumulate over time can be used to buy out a partner's interest upon retirement. The cash value that may be available depends on how the policy is funded and on tax laws in effect at the time funds are withdrawn from the policy.

Supplementing retirement income: A permanent life insurance policy may be used in two ways to supplement your retirement income. The cash values can be accessed for retirement income through a policy loan or partial surrender, or you may be able to use the policy as collateral for a consumer loan.

Ken MacCoy, is a Registered Health Underwriter with over 30 years experience in the insurance industry. Using a common sense approach, Ken will assist you in calculating your needs and determine which product is best suited for your particular situation, thereby guaranteeing the future financial security for you... and your loved ones.

For more information with No Obligation, please contact:

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Thank you for your interest.