

Comparing Term and Permanent Life Insurance



Deciding whether term or permanent life insurance is a better fit for your family comes down to a combination of factors, namely desired price point, policy duration, the insured's age, and your family's circumstances. Both types of policies have unique features that can make them a good fit for your situation. Some situations may make one type of policy more attractive than the other. For example, if you want permanent life insurance, but cannot currently afford it, a term life policy would fit your needs until your financial situation changes. Having any type of life insurance in place is better than going unprotected.

Both term and permanent life insurance provide your family with peace of mind by offering a death benefit, but they differ in a few key ways.

- **Term life insurance** is an insurance policy that is **active for a set number of years** and remains in force for the duration of the term, provided premiums are paid on time. Some term policies, like Navy Mutual's term plans, have level premiums for the duration of the term. It **may also be renewable** upon the completion of the term, though the premiums may increase at that point. In many cases, individuals will be required to apply for a completely new policy after the end of the term. If the insured passes away within the policy's term, a death benefit will be paid.
- **Permanent life insurance**, a subset of which is whole life insurance, is an insurance policy that is **active until the death of the insured**, provided premiums are paid on time. It contains both an insurance policy that pays out a **death benefit and a cash value component**. It does not need to be renewed. **Premiums are set at the time of purchase** and do not change over the life of the policy. As long as the policy is in good standing and there aren't extraneous circumstances, a permanent policy will always pay out a death benefit.

Consider the following situations that may call for you to consider purchasing life insurance:

You are a new parent.



Many people begin to think seriously about life insurance when they have children and want to ensure their children have financial protection even if they were to pass away unexpectedly. Term life insurance could be an affordable way to provide this protection. A 20-year term policy would provide household income until a child has completed high school, and a 25-year term policy would ensure that they could finish college — after which your need for life insurance may lower.

Read more: [Why a Stay-at-Home Parent Needs Life Insurance](#)

You have a lifelong dependent.

Term life insurance can be a good choice for people whose children will grow up to be independent or who are helping their spouse pay off a mortgage. However, if you have a dependent who will need financial support for their entire life and not just for a period of time until they reach financial independence (e.g., a child with a disability), permanent life insurance can guarantee that no matter when you pass, there will be a death benefit paid out to them. In cases of beneficiaries with disabilities or special needs, you can elect for the death benefit to pay out to a [special needs trust](#).

Your passing would be financially impactful for a period of time.

The main reason most people get life insurance is to cover the financial strain that their loss of income would put on their loved ones. If you are contributing to a mortgage payment, paying child support, or paying off credit card debt, term life insurance can cover your payments toward those debts should you pass away unexpectedly.

If you are a servicemember who may deploy, it is also wise to consider a term insurance policy for the duration of your active duty years. Your contributions to the family finances are significant, and if the worst were to happen in a combat zone or during a training exercise, you want to make sure that your family has enough money to continue living as they were when you were supporting them.

Read More: [Why You Need Life Insurance Beyond SGLI](#)

You do not want your life insurance to significantly impact your current expenses.

Because term life insurance premiums are often more affordable than those for permanent life insurance, they are unlikely to significantly disrupt your monthly expenses – provided you purchase your term policy when you are young and healthy, as premiums do increase with age. You also have full control over the amount of coverage you want to purchase, so you can ensure that premiums are within your budget while still benefiting from the right amount of coverage.

You want to use your life insurance as another source of income.

Due to the cash value component of many permanent life insurance policies, you could choose to use your permanent life insurance policy as another source of income – with the cash value either taken out of the policy as a loan or distributed as a withdrawal. At Navy Mutual, our [Flagship Whole Life Insurance](#) policy's cash value component can also generate dividends, which can then be distributed as cash payments, put toward premiums, or used to repay policy loans.

You want to have flexibility in the duration of your policy.

Term life insurance is sold in set terms, or periods of time, hence the name. Terms normally range anywhere from five to 30 years. If you know you only want coverage for certain periods of your life, this flexibility lets you pay for coverage when you need it.



If you are unsure about your future life insurance needs, it may be wise to purchase a term policy with a renewable term clause. This allows you to extend the duration of the policy without having to reapply for coverage and undergo another medical exam. Typically, in order to renew, your policy must be in good standing (with up-to-date premium payments). You may be required to pay a higher premium upon renewal.

You are young and healthy but still want a financial safety net for loved ones.

Term life insurance premiums are typically lower when you are young and healthy. Purchasing a life insurance policy when you are at your fittest will save you some money on premiums compared to purchasing term life insurance when you are older or have developed health concerns. Remember, too, that term life insurance premiums go up if you choose to renew your policy or apply for a new one at the end of the term. Premiums will never be cheaper than they are today.

Read more: [Why You Should Buy Life Insurance When You Are Young](#)

You do not want your premiums to increase as you age.

If you are concerned about premiums increasing in cost as you age and your medical history changes, opting for permanent life insurance might be a better choice than term insurance (depending on the length of term you would choose). Premiums are determined when you purchase the policy, so even if you develop health concerns later on in life, your premiums won't change as a result.

Note that level term insurance products have a similar feature in that their premiums do not increase for the duration of the term. After the term expires, however, if you wished to obtain more coverage, your premium payments would be based on your age and health status at the time of your application.

Navy Mutual is here to help. Our affordable products are made with you in mind, so you can get the right coverage for your family. If you are interested in learning more about life insurance and want to know what product best fits your needs, call **800-628-6011** or [schedule an appointment](#) with a representative.