

Term or Permanent Choose the right insurance plan

Contributed by admin
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One often gets confused between term and permanent insurance. Which is the better one and which one you should buy? Well, both have their own advantages and disadvantages and you can choose the one which meets your requirements. Both have many takers though there's a third camp also which believe in both equally. So you gain either way irrespective of the policy which you choose.

Permanent insurance stays with you throughout your life. Your beneficiary is bound to get the insured amount after your death. However you need to pay high premiums for this type of insurance. A saving account is built with a part of this premium which is the cash value of this policy. You can draw money in your times of need from this account. You can pay for your kid's education through this. This can also be changed into retirement fund. In addition to all this, you also get tax benefits on these savings. So your family will get the insured amount without any tax. The biggest advantage of permanent insurance is that it gives you life long security and if you want one, you must buy permanent insurance.

Term insurance has its own advantages. You get this insurance only for a particular term when you think you need to be protected. If you think that you need security for your family for the next 25 years, you can get a term insurance. During this period if anything happens to you, the expenses will be paid by the insurance company.

For a term insurance you should decide a time period for which you need it. For example if you are a young family person with kids then you should get a term insurance for 25 years. During this period your kids will grow up and probably all your debts will be cleared by then. So choose a term during which you anticipate that your debts will be cleared.

The benefit of term insurance is that you only pay as long as you require protection. You do not need to pay outside that period. It's like leasing a car. You pay for it as long as you require it. Once the period is over you give back the car and get nothing in return. It is the same case with term insurance. If you happen to live through the term, you get nothing. It is pure protection and there is no cash value.

Before deciding on the type of insurance you must talk to your financial adviser. Though in the end you should follow your heart and choose the policy which suits you perfectly!