

Morgan & Morgan Insurance

TERM CONVERSION: A “PERMANENT” SOLUTION

Term insurance is typically purchased to protect a growing family from the catastrophic loss of a “breadwinner”. Lower initial premiums offer the flexibility to fit immediate needs. However, over time, a more permanent and valuable life insurance contract may be needed to help provide security and the potential for more stable premium payments for the future.

The low premium cost/high death benefit of term insurance is its most attractive feature. However, typically, term insurance premiums continue to rise with age. Some term contracts do offer premiums that remain level for a pre-determined number of years, but these contracts can experience significant premium increases in the future, or death benefits that decrease yearly. A policy that has long-term value and benefits, and the flexibility to help cope with change, is important. Therefore, converting a term policy to a permanent contract may make sense depending on your needs.

Converting your term policy to a permanent life insurance contract may be important to your overall financial program depending on your goals and objectives. Like term insurance, permanent insurance provides a guaranteed death benefit, backed by the issuing insurance company. There are also some other appealing benefits:

- Premiums can remain level for the life of your policy.
- A portion of your premiums accumulate tax-deferred (cash value) and can be borrowed at favorable rates or withdrawn.*
- You can use the policy’s underlying cash values to help supplement retirement, college expenses, or other future cash needs through the aforementioned loans and withdrawals.

The conversion privilege in most term policies offers those who cannot initially afford permanent insurance a great opportunity to convert to a permanent contract at a later date. Some term policies may offer a conversion credit that makes converting to permanent even more economical.

One particular advantage of converting from term to permanent, rather than purchasing a new permanent policy, is that there is no need for medical or financial requalification. (Note: This holds true if coverage amounts are to remain the same. If coverage is increased there may be a need to provide additional medical and financial information).

Converting your term insurance to a permanent contract may help provide additional security and protection. You may be comfortable knowing that the contract’s death benefit will be there to help to provide for your family in the event of your untimely death. In addition, you may feel a great sense of confidence knowing your premiums

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have the potential to build on a tax-deferred basis that may be important in the years to come. While this approach may not be for everyone, it is always wise to review all your insurance options. A representative can help you determine if converting an existing term policy to a permanent policy makes sense in your situation.

**Keep in mind that loans and partial surrenders from a life insurance contract will reduce the contracts death benefit and cash value. In the case of loans interest will be charged on the amount borrowed.*

Most insurance policies contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Your representative will be glad to provide you with costs and complete details.

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