Term vs. Permanent Insurance

Two good tools for different jobs — here's how to tell them apart.

Almost every life insurance policy is one of two types: term or permanent. Neither is "better" — they're built for different jobs. This guide explains both in plain language, shows who each one suits, and walks through real examples so you can see the choice in action.

THE ONE-LINE DIFFERENCE

Term covers you for a set number of years. Permanent covers you for life — and builds cash value along the way.

Term Insurance

- Covers a set period — often 10, 20, or 30 years
- The lowest cost for the most coverage
- No cash value — it's pure protection
- Best for temporary, high-need years
- Often convertible to permanent later

Permanent Insurance

- Covers your whole life, as long as it's funded
- Builds cash value you can use over time
- Higher premium, stays level for life
- Highly customizable — designed around your goals
- Best for lifelong needs, legacy, and cash value

How Term Works

You pick a length — often 10, 20, or 30 years — and a coverage amount. Your premium stays level for that whole term, and if you pass away during it, your family receives a tax-free payout. When the term ends, coverage stops. Because it only lasts a set time, term is the most affordable way to get a large amount of protection during your highest-need years.

Watch for "convertible" term — it lets you switch to permanent later without a new medical exam, a valuable option if your health changes.

How Permanent Works

Permanent insurance (whole life or universal life) never expires as long as it's funded. Part of your premium goes into a cash value that grows over time, in a tax-advantaged way. You can borrow against that value, and the policy can help with estate planning and leaving a legacy. Premiums are higher than term because you're paying for lifelong coverage plus that growing value.

Permanent is also far more customizable than term. A policy can be specially designed to solve a particular problem or tackle a specific goal — funding a partner buy-sell, maximizing early cash value, or leaving a set legacy — so two permanent policies can look very different depending on the job they're built to do.

Think of it like renting versus owning a home. Term is like renting — you're covered while you pay, but when the lease ends you walk away with nothing. Permanent is like owning — your payments also build equity (the cash value) that stays yours and keeps growing over time.

Watch for how the policy is structured. With permanent insurance, the design matters as much as the product itself — small choices change how it performs for decades.

SIDE BY SIDE

	Term	Permanent
Coverage length	A set period (10–30 yrs)	Your whole life
Monthly cost	Lowest	Higher (often 3–15x term)
Cash value	None	Builds over time
Premium	Level for the term	Level for life
Best for	Temporary, high needs	Lifelong needs, legacy
Customization	Set length and amount	Highly customizable
Flexibility	Convertible to permanent	Borrow against cash value

THE BOTTOM LINE

Neither is better. Term protects a season of life for less; permanent lasts a lifetime and can be shaped to a goal. Most people end up using a bit of both.

Seeing It in Action

The right answer depends on the person. Here are three common situations — the names are examples, but the logic is exactly how we'd think it through with you.

A young family on a budget

WHY TERM

Sarah and Dev, both 32, just bought a home and have a toddler. They want $750,000 of coverage, but money is tight. A 20-year term policy gives them exactly that protection through the years it matters most — while the mortgage is large and their child is young — for a modest monthly premium. By the time the term ends, the mortgage is nearly paid off and their savings have grown.

A business owner planning ahead

WHY PERMANENT

Marcus, 48, owns an incorporated business with retained earnings sitting in the company. He wants coverage that never expires, a tax-efficient place for some of that money to grow, and a smooth way to pass wealth to his kids. A permanent policy is designed to fit: lifelong coverage, growing cash value, and estate benefits his family will feel down the road.

The blend — a bit of both

WHY BOTH

Priya, 38, wants strong protection now but also something that lasts. She layers a $500,000 20-year term policy over a smaller $100,000 permanent policy. She gets high coverage during her family's peak-need years at a price she can afford, plus a permanent foundation that builds value and stays for life. For many people, the real answer is a mix.

How to Choose

You don't need to have it all figured out. A few honest questions usually make the path clear:

- Is the need temporary (a mortgage, young kids) or lifelong (final expenses, legacy)?
- What can you comfortably afford each month — today and in ten years?
- Do you want the policy to build cash value you can use later?
- Might your health or goals change? (If so, convertible term keeps doors open.)

Term usually wins when...

- The need is temporary — a mortgage or young kids
- Budget is the main priority
- You want the most coverage per dollar

Permanent usually wins when...

- You want coverage that lasts your whole life
- You're planning an estate or leaving a legacy
- You value building cash value over time

A FEW HONEST MYTHS

"Term is wasted money if I don't die."
Not really — you're buying protection for a season, like any insurance. If it was there when your family needed it, it did its job.

"Permanent is always the better investment."
Not always. It's a strategy, and it only shines when it fits your goals and is funded properly.

"I have to pick one."
You don't. Blending term and permanent is common — and often the smartest, most affordable answer.

Not sure which fits you?

That's exactly what we're here for. We'll compare your options across multiple insurers and build your Coverage Blueprint — clear, personalized, no pressure.

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