



The Term Solution

Affordable Protection When You Need It

The Company You Keep®

For generations, life insurance has proven to be one of the most cost-effective ways to safeguard a family's dreams.

You can never be replaced, but, with life insurance, your family could probably handle the financial pressure that comes with the loss of income due to premature death. The proceeds of life insurance generally pass to your beneficiaries free from federal income tax and can be used to help preserve your family's standard of living, cover outstanding debts, and keep their dreams alive.

Why Is Term So Popular?

For many years, term life insurance has proven to be an effective means of providing protection for those who need coverage for a limited period of time.

Term insurance is perhaps the most basic form of life insurance. It provides affordable protection, often with a guaranteed premium, for some period of time. If the insured should die while the policy is in force, the face amount is paid to the named beneficiary.

At the end of the premium guarantee period, the insured can renew the coverage at a higher premium. The premium for term insurance is initially lower than a comparable permanent insurance policy; however, it can increase at each renewal. This initial lower premium usually makes term insurance an ideal choice for individuals with a temporary need for life insurance protection.

There are two basic types of term policies: increasing premium term, which renews annually at a higher premium, and level premium term, which features a fixed premium for a specific number of years and then increases in subsequent years.

When Is Term Appropriate?

Term insurance may be suitable in several situations. Here are just a few examples:

A Temporary Need for Protection

Term insurance is often used as protection when a loan is taken. A term policy in the amount of the loan could assure that the debt is repaid, in the event the insured dies.

A business owner who borrows money to enlarge his or her operation could purchase a term policy in the amount of that loan. Often, homeowners choose term insurance to protect their mortgage over the life of the loan, or parents who are funding a child's college education could use term as a hedge until that child graduates. Whenever life insurance is needed for a relatively short period of time, term may be the solution.

Limited Funds for Permanent Life Insurance

In situations where life insurance is essential but dollars are scarce, term could serve as a stop-gap. Individuals fresh out of college and starting a career may want to consider term coverage.

If they're like many recent graduates, they probably have student loans that need to be repaid. If they should die before the loans are repaid, that obligation could fall to their estate and their family. Term insurance could safeguard against that, and when they've achieved some level of success and have sufficient funds, they can convert the term policy into a permanent insurance policy.

A Supplement to Permanent Life Insurance

An excellent use of term insurance is as an added "rider" to a permanent plan. Let's say an individual requires \$200,000 in life insurance coverage, but can't afford the premium for a 100% permanent plan. An affordable option may be to purchase a \$50,000 permanent policy with a \$150,000 term rider. That mixture would provide the desired amount of coverage with limited cash value accumulation, at a premium that fits within a given budget. In the future, when income increases, the term portion can be converted into permanent insurance.

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The Conversion Privilege

Unlike permanent insurance, term does not accumulate cash value, and in most instances does not earn dividends. That is why one of the most valuable benefits of a term policy is the conversion privilege.

Many term policies offer the ability to convert term coverage into permanent insurance without submitting proof of good health. This privilege is usually available during the first several years of the policy. If permanent insurance is not within your budget at the present time, the conversion privilege guarantees your insurability at a later date — even if you become uninsurable.

Most companies offer different possibilities for conversions, so be sure to discuss these options with your life insurance agent when you're ready to convert. Your agent can explain the features and benefits of different types of permanent insurance to help you make your decision.

For more details about term life insurance, contact your New York Life agent. Find out why we are *The Company You Keep*®.

What to Look for in a Term Policy

Most experts say it's not advisable to simply shop for the policy with the lowest premium. Before worrying about saving a few bucks, you'll want to look closely at the features it offers.

- Be sure that the policy is guaranteed renewable — that is, you can renew your policy without a physical exam.
- Also be sure it contains a conversion privilege.

Together, these two features offer protection of your future insurability.

For many years, insurers have offered a lower cost premium to non-smokers. Recently, some companies have added an additional standard premium class for individuals who smoke, but are otherwise in good health, and non-smokers with minor medical impairments. If one of these situations applies to you, it could save you money.

Be sure to purchase a policy that's backed by a company with financial strength, a reputation for integrity, and dedication to its clients.



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