



COLBURN GROUP

Keep an Eye on Your Term Life Conversion Period

Term life insurance is a valuable financial tool for young families. The coverage guarantees a fixed benefit if the policyholder dies within a certain period of time. This protection can make all the difference if the family wage earner dies at an early age and the stay-at-home spouse has to continue to care for the family. It is a cost-effective means for wage earners to ensure their family is protected even after they are gone.

However, if the insured outlives the term, the policy expires and the insurance company keeps the premiums. In most cases, the policy owner does outlive the term. That's why this coverage costs far less than permanent insurance. The insurance company assumes there is very little risk that they will ever have to pay the stated death benefit.

Much of the appeal of term insurance for young families is its low cost. They typically have significant other debt like mortgages and student loans, so there isn't a lot of money available to pay insurance premiums. Term life insurance provides an affordable coverage option. When these families purchase the insurance, they aren't overly concerned about the conversion clause. This is the ability to convert the term insurance to permanent insurance for additional premiums, but without having to undergo a medical examination. This lack of concern is where the problem occurs. As the family matures and the wage owners age, the policy gets closer to expiration and it should be converted to permanent insurance. If the policyholder isn't mindful of the situation, the policy could expire and the family would be without coverage. It is especially important if the wage earner has developed a medical condition. By converting within the conversion period, the policyholder can obtain permanent insurance at a much lower rate than if they had to complete a medical examination first.

Some term policies don't have conversion clauses. Those that do, come with higher premiums. The extra cost is money well spent because no one knows what physical shape they will be in 10 or 20 years into the future. It is best to prepare for the eventualities of a medical condition than to be faced with it and have difficulty finding insurance.

The safest way to prevent yourself from missing your conversion window is to review your policy with your insurance agent each year. An agent can help you convert your term insurance into a permanent policy that will best suit your family's current financial needs.

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