



Term vs. Whole Life Insurance

Then, one day when I was checking over some mortgage calculations a light came on.

Whole life insurance is like paying off a mortgage to own your home, while term insurance is like renting it!

The more I thought about it the more sense it made.

For example, the cheapest way to buy a house is all cash. And the cheapest way to buy life insurance is also all cash, as Single Premium Whole Life Insurance.

As few people are able to pay all cash for a house they take out a mortgage so they can make equal monthly payments over a period of years.

- **A whole life insurance policy is the same.** It's as if you financed a single premium life policy with payments spread over your whole life. And, like paying for a house, you can spread them over other periods such as 20 years, 30 years, etc., if you prefer (as 20 Pay Life, 30 Pay Life, etc.).
- **But term life insurance policies are like renting.** You pay less each month than if you're buying a home because they're just temporary arrangements. Your lease can expire, and your landlord (insurance company) can refuse to renew. If he does renew, it's at a higher rent (premium).
- **And while you rent, you're not building up an equity in your home. Same as with term life insurance policies ---you're not building up any value in them.**

Whole life insurance, on the other hand, is like buying a house. After a few years each payment builds up more value in your policy (or your house). And this value, whether in a house, or a whole life policy, can be cashed in at a future date, or borrowed against, for other purposes.