**Life Insurance**

Life insurance is one of those things that we never get to personally benefit from our own policy.

Why does a person need life insurance? In the event of a premature death your survivors (spouse, children, business partner) receive the death benefit that will provide the funds needed to meet obligations.

**Types**

**Term Insurance** – This is purest form of life insurance. A premium is paid for a certain term. As long as the premium is paid the life insurance is in force. Once the premiums cease or the term ends then the life insurance expires. There is no value at the end of the term. In my opinion 95% of the time term insurance is all that is needed.

Example: $100,000 death benefit, $200 / year premium for 10 years.

**Whole Life Insurance**, or **Whole of Life Assurance** (in the Commonwealth), is a life insurance policy that remains in force for the insured's *whole life* and requires (in most cases) premiums to be paid every year into the policy. Usually a cash value can be built within the policy. Because of the cash value the premiums are significantly higher than term life insurance.

**Universal Life** is a type of permanent [life insurance](http://en.wikipedia.org/wiki/Life_insurance) based on a cash value. That is, the policy is established with the insurer where premium payments above the cost of insurance are credited to the cash value. The cash value is credited each month with [interest](http://en.wikipedia.org/wiki/Interest), and the policy is debited each month by a cost of insurance ([COI](http://en.wikipedia.org/wiki/COI)) charge, and any other policy charges and fees which are drawn from the cash value if no premium payment is made that month. The interest credited to the account is determined by the insurer; sometimes it is pegged to a [financial index](http://en.wikipedia.org/wiki/Index_(economics)) such as a bond or other interest rate index.