

Should You Convert Term Life Insurance to a Permanent Policy?

If medical conditions arise, it's important to have a term life insurance plan that you can convert to a permanent policy.

Most people can buy a term policy for the length of time they need life insurance and add (or reduce) coverage as their needs change. But you may not have that option if you develop a medical condition. Whenever you buy term insurance, make sure the policy has the option to convert to a permanent policy.

Most term policies offer you that option for a certain number of years after you buy. The permanent policy's premiums will be based on your health when you originally bought the insurance and the age when you convert.

You can use term insurance for long-term needs "as long as it gives you the option to convert to something that's worth having," says Glenn Daily, a fee-only life insurance adviser in New York City. "Without that option, term insurance would be a riskier choice."

It's important to know the type of permanent policy to which you can convert. For the least-expensive way to provide coverage for more than 30 years, consider a no-lapse universal life insurance policy. "It's essentially like term insurance that lasts forever," says Byron Udell, CEO of AccuQuote.com. Annual premiums for this type of policy are about half as much as they are for the same level of coverage with whole life, but they build up very little cash value.

A healthy 40-year-old man would pay about \$630 per year for a 30-year, \$500,000 term policy or \$2,850 per year for a no-lapse UL policy, says Udell. A 50-year-old could pay \$1,590 per year for a 30-year term policy or \$4,200 per year for a no-lapse UL policy (women pay less). If you have a term policy that lasts until you're in your seventies, conversion would be worthwhile only if you developed a medical condition and couldn't qualify for a new policy but needed coverage. If you are relatively healthy, compare the cost and coverage for a new policy and for the conversion policy.

Find out how long you have to convert the policy; some insurers allow conversion only in the first 10 or 15 years, even if the term is longer, or only to a certain age, such as 65, says Bob Bland, of LifeQuotes.com.

Read more at <http://www.kiplinger.com/article/insurance/T034-C011-S002-convert-term-life-insurance-to-a-permanent-policy.html>