Ask the Expert: Permanent Protection

Written by Declan J. Sheehy, Director of Development & Outreach
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A healthy 25-year-old purchases a $250,000 life insurance policy. He pays $110,100 in premiums over the next 40 years. Between age 65 and 80, he withdraws a total of $314,475. At age 80, he still has $63,121 of cash value and a death benefit of $178,935.

How is all this possible? The answer is permanent life insurance.

Many people opt for term life insurance while their children are in college or the mortgage needs to be paid. After all, popular wisdom recommends individuals "buy term and invest the difference." Trouble is, most people spend the difference.

With permanent life insurance, a portion of premium payments goes toward building the cash value of the policy. Money accumulates tax-deferred and can generally be withdrawn without paying income tax. The withdrawal is considered a loan and can be used for almost anything, from paying for college to maintaining a business to supplementing retirement income. Keep in mind that loans and withdrawals decrease the available death benefit and cash value.

Some permanent life insurance policies from mutual insurance companies are also eligible for dividends. Dividends are never guaranteed. When they are available, they can be cashed out, used to pay for future premiums, or left to accumulate interest.

Permanent life insurance provides a lifetime of protection and value. Premiums stay fixed for the duration of the contract, and the policy remains in place as long as premiums are paid.

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