

# Go Short Or Long? How To Pick Your Life Insurance Term

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Among the decisions you must make when buying life insurance, one of the most important is: How long should the policy last? Choose wrong and it could cost you or your survivors.

You can buy term life insurance that will cover you for five, 10, 15, 20, 25 or 30 years. The duration you pick is important. Select a policy that's too short and you could be caught without coverage when you need it or have to get a new policy at a higher rate to account for your age and increased risks. Choose a term that's too long and you'll pay a higher premium unnecessarily, since longer policies are more expensive.

Top reasons for buying life insurance

Sixty percent of Americans have some form of life insurance, according to the 2016 Insurance Barometer Study by Life Happens, a nonprofit life insurance organization. The reasons for buying a policy haven't changed much over the years, the report says. The top reasons include covering the cost of a funeral, replacing your income for a spouse or dependents, taking care of a child's college tuition and paying off outstanding debts.

The key to deciding the right length for coverage lies in understanding why you're buying the policy and estimating how long those needs will last. With term coverage, you're buying now to lock in a lower rate; life insurance costs more the older you are. So if you're deciding between two term lengths, "get the longest term you can at a rate you can afford," says Amy Bach, executive director of United Policyholders, an insurance consumer advocacy group.

Providing for your children

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Many people buy their first life insurance policy when they welcome their first child. If this is the case for you, buy a policy that will last at least until your child is old enough to be self-sufficient, and err on the side of caution. According to a recent Pew Research analysis, 32.1% of adults between 18 and 34 were living with their parents in 2014, the highest rate since around 1940.

Bach bought her term policy after the birth of her first child. She settled on a 20-year term but wishes she would have gone longer.

“I keep looking at the calendar nervously because it’s going to expire soon,” Bach says of her own policy. “I don’t want my benefits to end when my kids are only 20 — that’s not long enough to be on their own two feet. They won’t even be out of college yet.”

### Taking care of a spouse or other loved one

Maybe you’re the primary breadwinner in your marriage or you help support another family member, such as an aging parent. If you expect they will depend on you indefinitely, you’ll want to buy a policy that lasts the length of their or your life. This can be hard to estimate, but an elderly parent may depend on you for only 10 more years, while you might need to provide for your spouse for several more decades.

### Covering a specific debt

Thirty percent of people with life insurance say paying off their mortgage is a major reason for owning their policy, according to the Life Happens report. A mortgage is one of the few debts that will likely become the responsibility of your spouse or dependents if you die.

Your mortgage, car loan and any home equity loans will fall to the person who inherits the property, so choose your life insurance term based on how long these debts will be outstanding. For instance, if you have 22 years left to pay on a 30-year mortgage, a 25-year term policy would be appropriate.

In general, any credit card debt listed solely in your name will not fall to your survivors. Likewise, your federal student loan debt will most likely be discharged when you die. However, there are some exceptions when it comes to student loans from private lenders, so make sure you know what would happen in your case.

## Paying for funeral and burial costs

The median cost of a funeral and burial in 2014 was about \$8,500, according to the National Funeral Directors Association. It makes sense, then, that 53% of life insurance policy owners say this is a major reason for paying their premium each month, according to the Life Happens report. If this is your sole motivation for owning life insurance, you likely won't need a big policy, but you'll want to make sure it lasts as long as you do or until you have the money set aside to cover these costs outright.

When it comes to buying life insurance, focus on what it will pay for in the event of your death. This is the best yardstick for determining both how long your policy should last and how much it should be worth.

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