

Know the difference: Whole life insurance vs. term life insurance



There's a simple commonality among all humans — just as we live, we die. And there's no promise that we'll live longer than those before us. Between 2020 and 2021, the average life expectancy at birth in the United States decreased by nearly 1 year.¹

This unpredictability may make us want to secure our families' livelihoods. In fact, 50% of Americans were covered by some type of life insurance in 2022,² and others likely looking to purchase life insurance. But having a policy isn't enough — one-third of life insurance policyholders don't fully understand how their policies work,³ potentially leading to misunderstandings that leave people unprotected.

To help you and your employees avoid these information gaps, read on to learn the difference between two common types of life insurance policies: whole life insurance and term life insurance.

Whole life insurance vs. term life insurance

As its name implies, whole life insurance lasts for the duration of the policyholder's life, however long that may be. It guarantees payment of a death benefit to the policyholder's beneficiaries in exchange for regular premium payments.

[Whole life insurance](#) also has a savings feature known as cash value. With cash value, interest accumulates at a guaranteed rate and on a tax-deferred basis. The policyholder has the option to tap this account for funds — although this can be risky, as not paying back policy loans will reduce the death benefit.⁴

The function of [term life insurance](#) is also implied in its name. It's life insurance that lasts for a fixed period, often 10, 20 or 30 years. Also known as pure life insurance, this policy guarantees payment of a death benefit if the policyholder dies during the term. Once the term expires, policyholders can renew the policy, convert the policy to permanent coverage or allow it to end. Unlike whole life insurance, term life policies have no value beyond the guaranteed death benefit — there's no savings component.⁵



There's another notable difference between whole life insurance and term life insurance: price. Term life policies have significantly lower premiums than whole life policies because they are temporary policies with no cash value. (Whole life policies' lifetime coverage, cash value and guaranteed rate of investment aren't exactly freebies.) The difference is gargantuan — while the average 40-year-old man would pay \$335 per year under a 20-year, \$500,000 term life insurance policy, his yearly premium under a whole life policy would be \$7,028.⁴ Yet despite the price disparity, each coverage type has its pros and cons.

The benefits of whole life insurance

- Can [fund a trust to provide care for dependents](#) after the policyholder's death.
- Premium remains the same for the policyholder's entire life.
- Guaranteed payout of the death benefit.
- Can tap into funds from the cash value.
- Cash value grows at a constant rate.

The disadvantages of whole life insurance

- Can't choose the policy length.
- More expensive than term life insurance.

The benefits of term life insurance^{5,6}

- Customizable term length.
- Larger amounts of coverage offered at rates that are usually less than whole life plans.
- Guaranteed payout of the death benefit if the policyholder dies during the term.

The disadvantages of term life insurance

- If the policyholder outlives the term length, coverage ends and beneficiaries will not receive the death benefit.
- No cash value.

How to switch between types of life insurance

Regardless of which policy your employees have, they may be able to convert to a different type. Depending on the insurance company, some term life insurance policies tend to have an option that allows the policyholder to convert to a whole life insurance policy.⁶ Similarly, it may also be possible to switch from a whole life insurance policy to term life.

Thinking of adding life insurance to your benefits? Don't delay

No matter which type of life insurance your employees buy, it's better to acquire it earlier than later. In fact, 40% of people with life insurance wish they had bought their policies when they were younger.⁷ That's not just for protection against accidental death, either. With premiums for whole life policies staying the same throughout the policyholder's life, buying a policy while young and healthy will result in a premium that's less costly than it would be down the road.

Don't let a misconception stop you or your employees from helping to secure the livelihoods of your families. Get both [whole life and term life insurance quotes from Aflac](#), and allow yourself to make the most informed decision.



¹ National Vital Statistics System. "Provisional Life Expectancy Estimates for 2021." Published August 2022. [Accessed 7.25.2023](#).

² Bankrate. "Life insurance facts and statistics 2022." Published 10.18.2022. [Accessed 7.25.2023](#).

³ LendEDU. "54% of Americans Own a Life Insurance Policy, But One-Third Not Exactly Sure How It Works" Updated 06.14.2023. [Accessed 7.25.2023](#).

⁴ NerdWallet. "Term Life vs. Whole Life Insurance: Differences and How to Choose" Updated 5.10.2023. [Accessed 7.25.2023](#).

⁵ Aflac. "Term Life vs. Whole Life Insurance: What are the Differences?" [Accessed 7.25.2023](#).

⁶ Investopedia. "Term Life Insurance: What It Is, Different Types, Pros and Cons." Published 05.11.2023. [Accessed 7.25.2023](#).

⁷ Policygenius. "Life insurance statistics in 2023." Updated 05.25.2022. [Accessed 7.25.2023](#).

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A68000 series, Whole and Term Life: In Arkansas, Idaho, Oklahoma and Virginia, Policies: ICC1368100, ICC1368200, ICC1368300, ICC1368400 and Riders: ICC1368050, ICC1368051, ICC1368052, ICC1368053, ICC1368054, ICC1368055. In Delaware, Policies A68100-A68400. B60000 series, Term & Whole Life: In Arkansas, Idaho, Oklahoma & Virginia, Policies: ICC18B60C10, ICC18B60100, ICC18B60200, ICC18B60300, & ICC18B60400. Not available in DE. Q60000 series, Whole Life: In Arkansas & Delaware Policies Q60100M, ICC18Q60200M, ICC18Q60300C & ICC18Q60400C. In Idaho Policy Q60100MID. In Oklahoma, Policy Q60100MOK. Q60000 series, Term Life: In Arkansas, Idaho, Oklahoma, Policies ICC18Q60200M, ICC18Q60300C, ICC18Q60400C. In Delaware, Policies Q60200M. Not available in VA.

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