



6 TIMES SHORT-TERM LIFE INSURANCE IS A GOOD IDEA



By: Katia Iervasi - July 26, 2021

With COVID-19 shutdowns easing across the country, many Americans are finding themselves in a time of transition. If you're switching jobs, working on your health or trying to pay off a debt, a short-term life insurance policy could cover you until your situation changes.

How does short-term life insurance work?

There are two types of short-term life insurance: annual renewable term, or ART, and temporary life insurance.

Annual renewable term life insurance is a one-year policy that renews annually for a set number of years. This means you can refresh your coverage without reapplying or taking a medical exam. Think of it as a one-year contract: When the year is up, you can choose to either keep or let go of your policy.

The catch? Over time, ART can end up being much more expensive than the average life insurance rates for standard term life policies.

"The price goes up every year because your risk of dying goes up every year," explains Elaine Tumicki, corporate vice president of insurance product research at LIMRA, a life insurance trade group.

Only 6% of term life insurance policies sold in 2020 were annual renewable term, according to LIMRA's 2020 U.S. Retail Life Insurance Sales Survey.

Some insurers also offer temporary life insurance to applicants waiting to be approved for a traditional policy. Getting regular term or permanent life insurance can take four to eight weeks, and the temporary policy helps you avoid going without coverage.

When to buy short-term life insurance

1. You're waiting on a long-term life insurance policy.

If your insurer offers you temporary life insurance while you're applying for a traditional policy, it's generally worth accepting. Your policy goes into effect once you pay your first premium, and it typically provides the same amount of coverage as the primary policy you're applying for.

2. You want to cover a short-term debt.

This could be a credit card balance, a personal loan or a mortgage, if you're close to paying it off. A short-term policy can provide coverage while you're still in debt and prevent your family from having to take on that responsibility if you die prematurely.

Annual renewable term life works for new business owners, too. "If you borrowed money to start that crafting business, food truck, or new software business and intended to pay off the debt with profits in the first few years, then ART could be a great fit to protect your family from that debt should something happen to you," John Graves, licensed life insurance agent and founder of G&H Financial Group, said in an email.

3. You're between jobs.

More than half of working Americans get life insurance through work, according to LIMRA's 2021 Insurance Barometer Study. If you need to bridge a gap in coverage before returning to work or starting a new job, an ART policy could tide you over. Once you're able to enroll in group life insurance with your new employer, you can cancel your short-term policy.

4. You're temporarily working a dangerous job.

Insurers may charge higher rates if you walk into a hazardous workplace every day. If you're briefly working a dangerous job like mining or logging, you might be better off with a short-term policy. Then you can shop for cheaper premiums after you've wrapped up that job.

5. You're improving your health or changing your lifestyle.

While you're trying to lose weight, recover from an illness, quit smoking or otherwise improve your health, a short-term policy can protect your family in the meantime, Graves said.

Once you're over the bump, you can apply for a traditional policy and potentially score a lower rate.

6. You have other temporary life insurance needs.

Maybe you need life insurance as part of a divorce decree. Maybe rates for a standard policy would be high because you're on probation, or you've been diagnosed with gestational diabetes during pregnancy. In these cases, short-term coverage could satisfy that need without locking you into a longer policy.

Alternatives to short-term life insurance

Life insurance is meant to be flexible, which is why there are so many options on the market. When short-term coverage won't cut it, consider a traditional policy. Term life insurance, which lasts a set number of years, is generally inexpensive and sufficient for most families. For lifelong coverage, consider a permanent policy such as whole life or universal life insurance.

"It's really up to the individual," Tumicki says. "Whatever their life insurance need is, they need to match that to the product that fits it."



John Graves, founder of G&H Financial Group, specializes in retirement planning and working with clients pre- and post-retirement who desire to protect their money for when they need it most. John prides himself on building and maintaining long-lasting relationships with clients and their families.

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