**AGE-BASED VERSUS LEVEL-BASED POLICIES**

Meta Description:

An article about age-based and level-based policies, and which one suits you best.

Keywords:

age-based policy, level-based policy, age versus level

Age-based policy:

When it comes to an age-based policy, the premium rate of the cover plan is based on your age. Every year during the anniversary of the policy, the premium rate that you have to pay is recalculated for the insurer; the premium increases with age. This policy is best suited for you if you’re on a tight budget during the early years of the policy being underwritten, as it generally starts out on a premium lower than that of a level-based policy type. An age-based policy can also be underwritten for the duration of your entire life, instead of trying to decide on a fixed term.

Level-based policy:

A level-based policy, on the other hand, is for you if you prefer certainty – your age does not affect your monthly premium. With a constant rate on hand, the duration of the cover is usually fixed in-between ten and forty years from the start date of policy. Once the date passes, the duration of the cover automatically lapses. The assured cash sum stays the same when it comes to a level-based policy; this is a direct implication that the assured sum that you are guaranteed may not keep up with the inflation of the economy.

Age-based versus level-based policies:

When it comes to comparisons, age-based and level-based policies are apples to oranges – each have their own benefits and demerits.

Age-based policies have a five percent increase to the assured sum every year – as the policy premium increases annually, so does the assured sum. Hence, while you may feel like you are paying more for an age-based policy, the returns are assured to keep increasing as well; this further enables you, the policyholder, to keep with the economic inflation.

Level-based policies are cheaper in the long run. Albeit only for a fixed term, they are for those with a fixed amount of income for the foreseeable future. When running on a budget, a level-based policy is always the safer bet, but remember – the returns do not keep up with the inflation, so there is no accurate way to determine the value of the sum promised to be paid.