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Decreasing Term Life Insurance vs Level Term Life Insurance

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Decreasing and level term are the two most common types of term life insurance, and their names refer to the policy's death benefit. Decreasing term life insurance has a death benefit that will lessen over time. Level term, however, has a death benefit that remains the same the entire time you have the policy.

With both types of [term life insurance](#), your premiums will remain the same, but how much your beneficiaries receive may differ between these two types of coverage.

While level term is more common than decreasing term, your goals will determine which of these policies is best for your circumstances. Here's what you should know when considering level term and decreasing term life insurance.

Level term and decreasing term life insurance comparison

Level term

Decreasing term

Death benefit remains the same

Death benefit decreases over time

Typically inexpensive

May be cheaper

Level premiums

Level premiums

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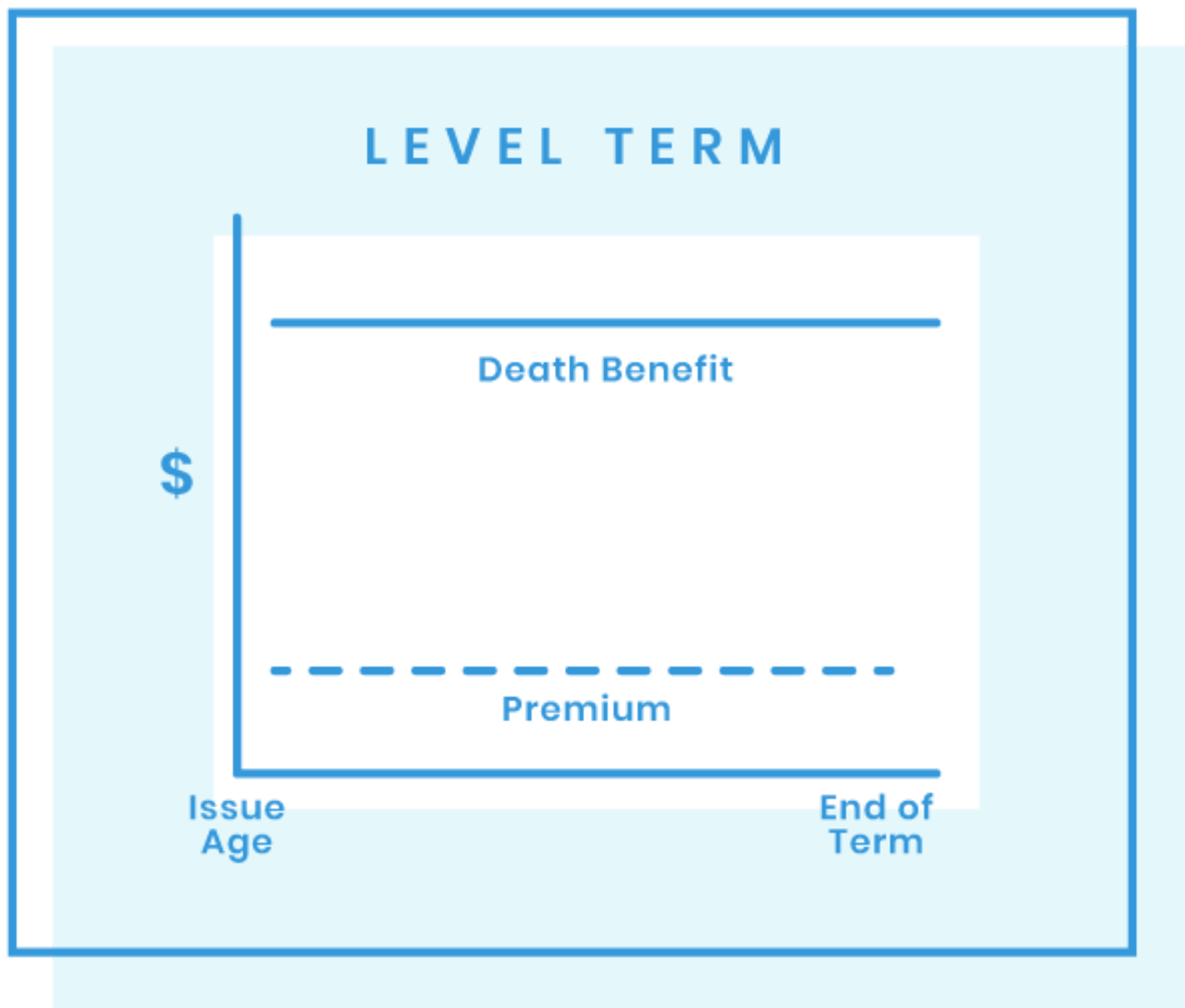
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What is level term life insurance?



Most term life insurance is level term, which means your death benefit and premiums each remain the same throughout the policy (your term). Level term life is so common that it's usually what people are referring to when they don't specify what kind of term they're talking about.

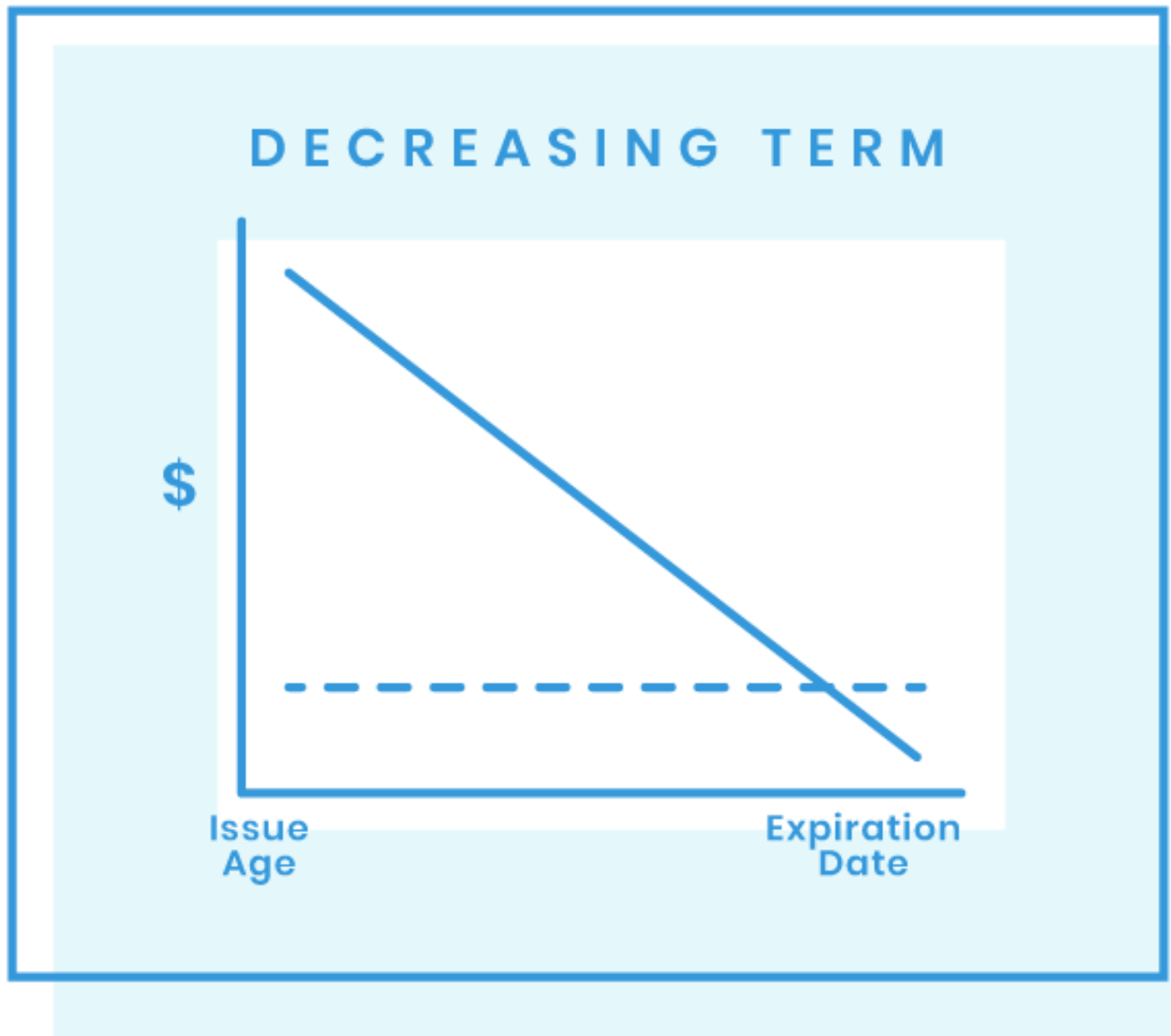
Term life, in general, is the least expensive [type of life insurance](#), but level term may be slightly more expensive than decreasing term life.

Who might want level term life

insurance?

- People who want simple, straightforward coverage: Just choose a term length and death benefit—no calculating whether lower coverage down the line will still be enough for your needs.
- Those looking for income replacement: If you want to ensure a steady income for your loved ones after you pass, level term can provide that.
- People with complex debt: If you're covering multiple, consistent, or revolving debt, like credit cards or two or more mortgages, you may need a level death benefit to cover them all.

What is decreasing term life insurance?



Decreasing term life has a level premium over the life of the policy, but the death benefit lessens over time. The rate of decrease is determined when you purchase the policy, so you'll know what to expect. As time passes, you'll receive less overall value for the same premium, but these policies may be cheaper than level term.

The most common types of decreasing term life insurance are credit life and mortgage insurance.

Mortgage insurance and credit life

insurance policies

Mortgage insurance can cover (wait for it) your mortgage. It's a type of credit life insurance similar to what you might buy to insure an auto loan. The idea is, as you pay down your loan, the death benefit would decrease by the same amount.

Many lenders offer this kind of insurance to their customers because it protects them from default in the event of your death. But mortgage insurance works a little differently than other types of decreasing term life insurance.

For one thing, your policy will be tied directly to your remaining mortgage, so the death benefit will decrease at the same rate as your mortgage, assuming you make all your payments. And the beneficiary of this policy will be the lender, not your loved ones.

Because this policy will pay out *only* the amount left on your mortgage and only to the lender, mortgage insurance is a single-purpose policy. You can't cover multiple life insurance needs with it.

Unlike other forms of decreasing life insurance, mortgage life insurance may be more expensive than level term life. But mortgage and credit insurance may be easier to obtain than other policies because it's [guaranteed issue](#). So, if you're having trouble finding life insurance due to a preexisting condition, this type of policy could be a good option for covering your debts.

If you want to be 100% sure the payout will go toward your mortgage or other debt, then mortgage or credit life insurance may be the right choice for you. But if you'd like your heirs to have some say in what the funds pay for, it may be better to look at buying a policy you can own instead of mortgage insurance.

Who might want decreasing term life insurance?

- Homeowners: If you're looking to cover your home loan, mortgage insurance, or another debt, decreasing term life could be a good fit.

- People who have a single coverage need: Because the death benefit lessens over time, decreasing term life may not be able to cover multiple or constant levels of debt.
- People who want guaranteed debt coverage: If you buy mortgage insurance or credit life insurance, your death benefit payout will go directly to the lender to pay off your loan.
- Shoppers who find a significantly cheaper policy: Level term doesn't usually cost much more, so many people opt for a level death benefit. But if you can save a chunk of change, decreasing term may be the right choice.

Level term vs. decreasing term: What's the best policy?

Which type of term life is right for you depends on your situation. Level term is much more common; you'll probably find more options and be able to cover multiple needs with a single policy. But if you want to cover a specific debt that you expect to lessen over time, and you want the cheapest option, then decreasing term could be the way to go.

Either way, there are some awesome [term life insurance companies](#), so check out their policy options.

If neither of these term life policies seems quite right, consider a permanent life insurance policy. [Whole life](#) may be more expensive, but it's also pretty straightforward. Or check out [universal life](#) if you want more flexibility.

Decreasing term vs. level term life FAQ

Are there other kinds of term life?

Yes. While decreasing term and level term are the most common, there's also [annual renewable term](#) (ART). ART is kind of like having a one-year term policy that you're guaranteed to be able to renew

each year.

You may also come across increasing term life, in which the death benefit increases over the life of the policy, but this coverage is scarce.

Is term life better than whole life?

That depends. For most people, term may be the right choice to cover the mortgage, raising kids, and other temporary life insurance needs. It's also typically the cheapest option.

But if your needs are permanent or you want to combine life insurance with a savings option, then term probably isn't right for you. Check out [term life vs. whole life](#).



Written by
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Kathryn Casna is a licensed insurance agent and life insurance specialist who has appeared on The Simple Dollar and Best Company. On a weekly basis, she dives into complex life insurance topics to wring out genuinely useful information. When she's not wrangling big ideas into easy-to-understand articles, Kathryn nerds out on budget-tracking spreadsheets and tries to coax her leash-trained cat to take outdoor adventures.

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