

Understanding **PARTICIPATING WHOLE LIFE INSURANCE**



Life Insurance is the foundation of a strong financial plan. There are many life insurance options to consider for protecting your family, income, and way of life.

Whole life insurance is one life protection solution that offers many advantages that include simplicity, predictability, and guarantees.

*Predictability in an unpredictable world
– the guarantees of whole life.*

In today's financial marketplace, economies and markets can change quickly and provide no financial guarantees of what tomorrow will offer. Whole life insurance has remained a solid financial product that maximizes the benefits of three guarantees – **death benefit, fixed premium, and cash value** – that are combined into one powerful financial solution.

These three guarantees of whole life provide peace of mind, security and confidence in your financial future. Despite unforeseen financial setbacks, the basic guarantees of whole life provide one simple solution that helps you stay the course for achieving long-term goals.

Death Benefit

1. The death benefit is the amount that a beneficiary receives upon the death of the insured person. This benefit is contractually guaranteed to never go below the amount stated in the policy (outstanding policy loans on the date of the insured's death, will be deducted from the death benefit), provided premiums are paid and the policy is kept in force. It is comforting to know that the beneficiary will receive a predictable amount of money that will allow them to maintain a lifestyle and continue to achieve their goals.

Fixed Premium

2. Whole life premiums are the payments you make to maintain the policy. These premiums are specified at the time of purchase and are contractually guaranteed never to increase. Despite inflation and increasing costs, whole life premiums are locked in and remain constant over a lifetime.

Cash Value

3. The cash value in the policy represents a systematic tax-favored accumulation of value built into the policy. A specific amount of cash value is contractually guaranteed to grow in your policy every year until age 121. Despite economic conditions, consistent accumulation will occur over the life of your policy.



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Additional Advantages of Whole Life

Whole life offers three important features that add financial flexibility and options to your planning.

- **Dividends** can provide significant value over and above the guarantees, based on financial performance of the life insurance company.
- **Tax advantages** enhance the value of overall policy benefits toward cash value accumulation, payout to beneficiary, and treatment of policy loans.
- **Liquidity** is available through loans against your policy's cash value.

Dividends – The X Factor in Whole Life Insurance

Dividends are non-guaranteed amounts that mutual insurance companies pay to policyowners on an annual basis. The amount paid is based on and determined by the overall financial performance of the company. Dividends can be paid to the policyowner because:

1. The insurance company's investment rate of return exceeds the guaranteed return set forth in the policy.
2. Mortality experience is better than what is guaranteed in the policy.
3. Expenses of policy administration are less than the cost guaranteed in the policy.

The dividends paid to your policy provide significant value and can be applied in several ways:

1. Paid Up Additions (PUA)

Dividends can be used to permanently increase the death benefit of your policy through "paid up additional insurance." By purchasing additional insurance, you increase both the death benefit and cash value of your policy.

2. Reduce Premiums

By applying dividends toward your next premium payment, you can lower out-of-pocket costs.

3. Accumulate with Interest

Dividends can accumulate at interest inside your policy.

The Tax Advantages of Whole Life Insurance

Every financial instrument has specific tax consequences. Some products are more complex than others and utilize aggressive techniques to structure favorable tax benefits. However, for people who want to enjoy simple tax advantages, along with guarantees, whole life can't be beat.

With whole life, the cash value in your policy accumulates on a tax-deferred basis, which means it is not subject to current tax as interest or earnings. You can access these values through policy loans that, under most circumstances, are tax-free.* A policy loan can provide an excellent source of liquidity for meeting short-term needs such as a tuition payment or for long-term needs such as a supplement to your retirement income.

The tax value of whole life insurance increases with the amount of protection you choose because your beneficiary will receive the life insurance death benefit income tax-free. Even if you are in a modest tax bracket, income tax savings on insurance benefits can be substantial, which makes whole life an efficient way to plan your estate while protecting its value under the guaranteed features.



*Based on current tax law; policy loans could be taxable under certain circumstances.



The Financial Benefits of Whole Life Insurance

- Cash value is guaranteed to grow each year to age 121, as long as you maintain your policy.
- Favorable tax treatment of life insurance policies includes tax-free death benefits, tax-deferred cash accumulation, and tax-free policy loans.
- The death benefit is guaranteed to never go down, as long as you pay the premiums due and keep the policy in force.
- Dividends, though not guaranteed, can provide additional value based on financial performance of the company.
- Liquidity is available through economical policy loans against the cash value in the policy.
- Premiums are guaranteed to never increase.
- Whole life provides a secure framework for long-term planning.



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