

What is Whole Life Insurance?

A quick look at permanence and stability

Whole life is a versatile financial instrument used for protecting families and businesses while creating and enhancing portfolio wealth.

Whole life insurance creates and provides the insured:

- 1. Guaranteed lifetime insurance protection*
- 2. A comprehensive portfolio asset*
- 3. Internal guaranteed rates and values*
- 4. Policy dividends*
- 5. Tax advantages*

1. Lifetime insurance protection

Whole life insurance provides a means by which families and businesses can secure the benefit of their human life value if it is threatened by loss.

- **Family and Business Protection:** the death benefits of life insurance can assure economic continuity
- **Estate Planning:** the orderly transfer of assets at death can minimize taxes and provide for heirs you designate
- **Asset Maximization:** whole life is the “permission slip” that may enable you to maximize retirement income and your personal net worth. Once your legacy is secured with life insurance, you’ll be able to spend down other assets for your comfortable lifestyle

2. A comprehensive portfolio asset

Many today are considering life insurance as an asset class in their overall financial portfolios. Life insurance is an ideal asset class with which to diversify within the concepts of the Modern Portfolio Theory. In addition to providing a death benefit, permanent life insurance, specifically participating whole life, has lifetime benefits that are unique and uncorrelated to most other typical asset classes.

3. Internal guaranteed rates and values

The guarantees within the whole life policy can be viewed as either rates or values. When actuaries design a whole life policy, they begin by determining what rates are going to be guaranteed. Once the guaranteed rates have been set, they are used to determine policy premiums and values. These rates and values are based on conservative assumptions.

- **Guaranteed Rates:** a whole life policy is built upon a foundation of three
 - **Mortality Rate:** based on a table of guaranteed mortality rates required by insurance regulation
 - **Interest Rate:** for Guardian policies, it’s 4% for the entire life of the policy
 - **Expense Factor:** an allocation for expense that is covered in guaranteed values
- **Guaranteed Values:** the above guaranteed rates are combined in an actuarial formula creating three unique guaranteed features that set whole life apart from other financial instruments
 - **Level Premium:** the annual premium is guaranteed to never change
 - **Death Benefit:** the level death benefit is guaranteed to never go down
 - **Cash Value:** the guaranteed cash value grows each year until it is equal to the face amount of the policy at a specified age, typically age 121

4. Policy dividends¹

Mutual life insurance companies, such as Guardian, adjust the rates and values (discussed above) to current conditions through the mechanism of a non-guaranteed dividend. These dividends allow whole life policies to create competitive returns in addition to the guaranteed values.

- These dividends are paid to the policy because:
 - The insurance companies investment rate of return exceeds the guaranteed return promised in the policy
 - Mortality experience is better than that which is guaranteed in the policy
 - Expenses of policy administration are less than the cost guaranteed in the policy
- Policy owners may choose among several dividend options, including the most selected option, having the dividend payment purchase Paid Up Additions (PUA)—this allows the policy holder to purchase additional guaranteed permanent paid-up insurance

Our world is uncertain and our economy can be volatile— Whole life insurance offers a level of guaranteed permanence and stability making it a truly unique and versatile asset.

5. Tax advantages²

Life insurance is viewed as a good thing for the benefit and welfare of society. Therefore significant tax benefits have been given to it that are not found in other financial instruments. These include:

- Income tax free death benefits
- Tax deferred build up of cash values inside the policy
- Access to policy values on a tax favored basis

¹ Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

² Guardian, its subsidiaries, agents or employees do not give tax or legal advice. You should consult your tax or legal advisor regarding your individual situation.

