WHOLE LIFE INSURANCE BY ANY OTHER NAME

BY ED GAELICK, CLU, CHFC

If you could systematically deposit money into a financial product 1) that gave you guarantees, 2) added your proportional share of profits from the company to your accumulated value, 3) whose current values had no market risk, 4) that had no current income tax on gains, 5) made your deposits for you in the event of a disability, 6) allowed you to borrow against accumulated value without restrictions and 7) paid out many multiples of your accumulated value in the event of your death income tax free to whomever you named, how much would you buy? What I have just described is Whole Life from a mutual life insurance company.

Whole Life insurance is often misunderstood. In order to better understand Whole Life, let's look at some of the various types of life insurance.

On one end of the spectrum is Term Insurance which is temporary death benefit only. It has no value unless you die. Premiums are very attractive for young healthy people and are typically fixed for a term period such as 20 years. Once that period ends, rates increase so much most will drop coverage. If someone is healthy enough, they could reapply for more favorable rates. Death benefits remain level for the term of the policy which means when you factor in inflation, the spending power of the benefit is less in the future.

In the middle are Universal and Variable Life. Both are typically sold as permanent plans and illustrated with level premiums using certain assumptions. However both products are built on a term policy platform so internally rates do increase. You may not see it since your premiums are "level" but read the policy and you'll see. There are typically no guarantees and should your return be less than projected over a long period

of time, rates can increase and accumulated values may be used to subsidize the premium increase. Universal Life performance is based on interest rates and Variable Life performance is dependent on the mutual funds chosen where values are completely subject to market risk.

Whole Life is on the other end of the spectrum. You can buy Whole Life from two different types of insurance companies; a stock or a mutual company. A stock company, such as Prudential, Met Life and Equitable has an obligation to its shareholders so the company is managed with that in mind. Profits are primarily distributed to shareholders in the form of dividends. Stock company Whole Life policy holders don't benefit from dividends.

A mutual life insurance company, such as Guardian, Mass Mutual and NY Life has no shareholders. When they make a profit, they share their profits with Whole Life policy holders, the "mutual" owners of the company, in the form of dividends. Dividends can be taken as cash or put back into the policy to increase accumulated values and benefits to avoid current taxation. Once dividends are declared and paid, they become your guarantees and can't be taken away. Values are not market risk sensitive. Premiums are guaranteed level forever. You get a guaranteed accumulation of cash value regardless of whether the company makes a profit and then you share in profits in the form of dividends above and beyond guarantees. Become disabled and the insurance company makes your premium deposits for you. You don't even owe them back. This protects the accumulation of values and increase in benefits.

While there is a place for all products, whole life is truly permanent and with all its benefits, will become one of your most cherished assets.

In 1985, Ed Gaelick established PSI Consultants, LLC where he specializes in company sponsored employee benefits, business planning and personal insurance. Throughout his career, Ed has received many of the highest professional honors awarded in the insurance industry. His dedication, integrity and fortitude have earned him great respect from his clients, staff and peers.

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