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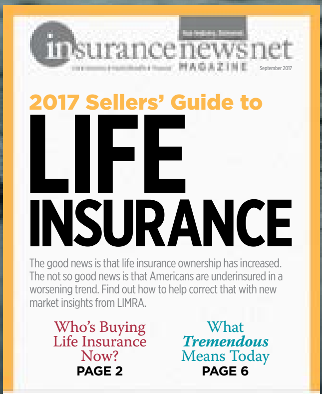
# SIGNS OF LIFE

LIMRA data shows that the life insurance market has stabilized since the 2000s, but companies and advisors are proceeding with caution. **PAGE 26**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2017 Sellers' Guide to

LIFE INSURANCE

The good news is that life insurance ownership has increased. The not so good news is that Americans are underinsured in a worsening trend. Find out how to help correct that with new market insights from LIMRA.

Who's Buying Life Insurance Now? PAGE 2

What *Tremendous* Means Today PAGE 6

# Whole Life Insurance. A Flexible Financial Instrument.


Randy S. Fine

A financial plan is the money road map for your life — while you're employed, during retirement and even after your death — so it must be secure, offer tax advantages and provide you with the ability to buy time and have financial confidence no matter what life throws your way. But can a single financial product address all these objectives? Yes — if it's a whole life insurance policy.

"If you're in a place, financially, where you can put a reasonable amount of money away, and if you have a time horizon to build your savings, you're probably a great candidate for a whole life product," says Randy S. Fine, president of Robert Fine & Associates, and a 27-year veteran of the insurance and financial services industry; a Registered Representative of Park Avenue Securities LLC, an indirect, wholly owned subsidiary of The Guardian Life Insurance Company of America®; and the peer-elected president of Guardian's Executive Committee. According to Fine, "At its core, whole life insurance provides an important death benefit, while also providing important financial flexibility. It's such a versatile product — offering benefits like no other financial instrument available today."

"Mutual companies pay dividends to their policyholders, who are owners of the company. As a mutual company, Guardian doesn't have stockholders, and it doesn't have to satisfy Wall Street every quarter with earnings. It's run by a board of directors and a CEO."

## Whole Life Is a Long-Term Guarantee

"A whole life policy with a company such as Guardian provides three important guarantees[1] — a specific death benefit, a premium that can never be increased and an increasing year-over-year cash value," Fine says. Every year since its founding in 1860, Guardian has honored the guarantees on its whole life policies, persevering through many periods of economic and financial upheaval, including the Great Depression, Black Monday and the 2008 financial crisis. Fine continues, "I don't know any other part of someone's portfolio that comes with such key guarantees."

## Financial Flexibility at Its Core

Participating whole life policyholders in a mutual insurance company receive dividends[2] as their share of the company's profits. Although these payments aren't guaranteed, Guardian has paid dividends every year since 1868, including a record distribution in 2016.

"Mutual companies pay dividends to their policyholders, who are owners of the company. As a mutual company, Guardian doesn't have stockholders, and it doesn't have to satisfy Wall Street every quarter with earnings. It's run by a board of directors and a CEO," Fine avows.

"Whole life products are built with guaranteed cash value, and the boost on top of that is dividends," Fine says. "Policyholders can use dividends in many ways, such as enhancing their cash value and death benefit, paying their premiums or taking distributions out in cash." Policyholders are effectively "investing in Guardian and the company's 150-plus-year successful business model."

Whole life products were invented to protect widows and orphans after the primary breadwinner's death, and designed to stay in force permanently. Over the years, these products have been enhanced through many advanced benefits and riders,[3] which can improve their attractiveness and flexibility. For instance, should a policyholder become disabled, the waiver of premium rider is exercised and future premiums are funded by the insurance company while the policy remains in force permanently. Specific riders can also help provide funds for necessary long-term care services, and a new patent-pending rider offered by Guardian can be chosen by the policyholder to add equity participation that may help increase the policy's performance potential.

## Increase Your External Rate of Return With Whole Life

The cash-value portion of whole life has numerous benefits. It accumulates tax-free[4] for the life of the policy, and you can withdraw it, borrow it or apply it for many other uses. You certainly can't say that about your IRA, 401(k), or stock and bond portfolios. In fact, when you need liquidity, you might have to sell your stocks and bonds at distressed prices, plus pay taxes on the gain and possibly an early withdrawal penalty.

From a portfolio perspective, putting whole life insurance at the foundation of your financial plan allows you to take some additional risk in your other investments. "The cash value of your whole life policy is safe, secure and available, so you can be more aggressive and maybe even realize better returns on your other investments," Fine explains.

Take, for example, the scenario that includes a client who was on an extended vacation in Hawaii, thousands of miles from home. He called Fine and said, "I didn't realize that my checking account balance is very low. I have payroll this week, taxes next week and contributions to make in a few weeks. Can I transfer money from the cash value of my whole life policy into my checking account, essentially as a loan?"[5]

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Fine provided the client the good news he needed and helped him quickly access the cash value of his policy to meet his unexpected short-term obligations. The client paid back the loan — without having to liquidate other assets and without tax consequences — when he returned from Hawaii. The flexibility of the whole life policy's cash component enabled the client to buy time and have confidence when he needed them most.

In another instance, a client had the opportunity to buy his neighbor's property before it was listed, but he needed to pay cash to get the property at a favorable price. His whole life policy's cash value was several hundred thousand dollars, thereby providing the client instant liquidity without any tax liability.

"Within 48 hours, my client had a check and bought the property," Fine recalls. "Two years later, he made over $250,000 when he sold the property, and that's when he paid the money back to the policy. Yes, he paid loan interest for two years on the money he borrowed, but it had very favorable terms, and he made more than $200,000 in profit on the sale of the real estate."

Fine reiterates that while whole life insurance products can be a sensible option for anyone looking to build a sound financial plan, they can also work well for wealthier individuals and families. "Higher-income consumers are often some of the most prominent buyers of whole life products, allowing them to put money away to protect their families, businesses and estates," he says. "They can't directly fund Roth IRAs because they earn more than the income limit. As a result, they're running out of ideas for investing their money while experiencing certain tax advantages. Whole life insurance products are tax-favored, so they're advantageous for people who, because of their high income, miss out on other tax breaks."

## A Sound Financial Foundation

Owning a whole life policy is part of a prudent financial-planning strategy. Whole life policyholders enjoy a long-term, no-risk guarantee. They have the flexibility to accumulate and use cash without penalty, buy time and confidence, and increase their external rate of return, all while protecting their family's financial security.

"Whole life can be a sound financial instrument at any age. I bought my first whole life insurance policy as a diversified portion of my portfolio at the age of 22, and have continued purchasing several additional policies since that time," Fine declares. "I'd spoken with friends and clients to see where they were financially, and I realized that waiting to buy a whole life policy didn't make sense, because the premium would only increase as I got older. I learned that the sooner I could lock in whole life insurance, the better. Yet with that said, I'm still seeing 50-, 60- and even 70-year-olds in good health procure whole life on a regular basis.

"All the money I've accumulated over time is safe, and in all these years, I've never had a down year. I've been accumulating significant cash value, which I have used in several ways: owning a business, raising children, meeting responsibilities, sending kids to college, paying down mortgages. The options with my whole life policies are truly endless." ■

[1] All whole life insurance policy guarantees are subject to the timely payment of all required premiums and the claims-paying ability of the issuing insurance company. Policy loans and withdrawals affect the guarantees by reducing the policy's death benefit and cash value.

[2] Dividends are not guaranteed. They are declared annually by Guardian's board of directors.

[3] Whole life riders incur either an additional premium or cost. Rider benefits may not be available in all states.

[5] Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any outstanding loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under 59 ½, any taxable withdrawal may also be subject to a 10 percent federal tax penalty.

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