

A fresh look at whole life insurance

Written by 'Layin' it on the line' By Lawrence Castillo Guest Columnist
Friday, 11 November 2022 03:53



Whole life has a simple objective, to ensure your “whole” life, in other words, it will pay the benefits anytime during your whole life, regardless of how long you live. All you need to do is pay the premium.

Life insurance is a contract between an insured person (the policyholder) and the insurer. The premium pays for guaranteed benefits in case of death, but there are other features that can provide additional protection as well.

In exchange for fixed premiums, whole-life policies offer life insurance protection and tax deferral on growth by accumulating cash value with competitive interest rates.

In exchange for fixed premiums, an insurance company promises to pay a set benefit when the policyholder dies but also offers additional benefits as well. Whole life insurance policies can build up cash value, effectively a cash reserve that pays a modest rate of return, and the growth is tax-deferred. Guarantees are based on the claims-paying ability of the issuing company.

Most whole life insurance policies allow policyholders to borrow a portion of their policy’s cash value. Access to the cash value can allow you to pay for things like college expenses, a home down payment, or any other needs you may have.

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When the policyholder dies, his or her beneficiaries receive the benefit from the policy. Depending on how the policy is structured, benefits are usually not taxable.

Whether whole life insurance is the best choice for you may depend on a variety of factors, including your goals or circumstances.

Whole life insurance can be an excellent investment for those who want to be protected financially after death. The policies promise a fixed benefit but also offer additional benefits such as cash value - which can build up and provide returns tax-deferred in order of security against personnel losses caused by unforeseen events like accidents or illnesses, and guarantees based on claims-paying ability from issuing companies.

The Federal Deposit Insurance Corporation does not insure life insurance. It is not insured by any federal government agency, bank, or savings association. Each state's Department of Insurance regulates life insurance.

The content is developed from sources believed to be providing accurate information. The information in this material is not intended as tax or legal advice. It may not be used for the purpose of avoiding any federal tax penalties. Please consult legal or tax professionals for specific information regarding your individual situation.

Lawrence Castillo is a member of *Syndicated Columnists*, a national organization committed to a fully transparent approach to money management.

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