The Whole Story
Understanding the features and benefits of whole life insurance
Life insurance is the foundation of any sound financial plan. The money your beneficiaries receive in the event of your death can help to protect your family’s financial security.

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The decision to purchase life insurance should be based on long-term financial goals and the need for a death benefit. Life insurance is not an appropriate vehicle for short-term savings or short-term investment strategies. While the policy allows for access to the cash value in the short-term, such as through loans or partial surrenders, these transactions will impact the policy’s death benefit if the values are not restored prior to the insured’s death. You should know that there may be little to no cash value available for loans in the policy’s early years.

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Insurance for Your Lifetime

Utilizing life insurance to replace lost income and to help pay final expenses at an extremely difficult time can help provide your family with greater peace of mind. Life insurance can also help to protect a business by providing cash that will help to ensure the continuity of the firm’s day-to-day operations, and often, the business itself.

Death Benefit Protection

Whole life insurance is primarily purchased for the death benefit protection. The cash payment that is made upon the insured’s death offers unique protection for a family or business. Whole life insurance provides a death benefit that is guaranteed as long as the premiums are paid when due.

Cash Accumulation

Whole life insurance also offers guaranteed, tax-deferred cash value accumulation, sometimes referred to as a “living benefit,” that can help provide financial security while the insured is still alive. Whole life policy cash values can be borrowed from the policy for any purpose: supplemental retirement income, education funding or even a means of ready cash for emergencies.\(^1\) While loans that have not been repaid will reduce the death benefit (when it is eventually paid), access to your whole life policy’s cash value offers comfort for you while you are living – and security for your family or business after your death.

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\(^1\) Distributions under your policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (your cost basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10% tax penalty. Access to cash values through borrowing or partial surrenders can reduce the policy’s cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.
Mutual vs. Stock Companies

As a mutual life insurance company, Massachusetts Mutual Life Insurance Company (MassMutual) does not have shareholders. Instead, the company operates for the benefit of its participating policyowners. MassMutual issues “participating” whole life policies, which means they are eligible to receive an equitable portion of the company’s divisible surplus as a dividend each year. Although policy dividends are not guaranteed, MassMutual has paid them to eligible participating policyowners every year since 1869.

The other common form of insurance company structure is a publicly traded stock company, which is owned by its shareholders. Unlike a mutual company, a typical stock company generally pays a percentage of its corporate profits to its shareholders. Consequently, a stock insurance company must balance the interests of its policyowners against the earnings expectations of its shareholders. Shareholders may judge a company’s performance based on projected earnings for the next quarter or the next year. These expectations might conflict with the long-term interests of policyowners.

Life Insurance Tax Advantages

A life insurance policy’s death benefit proceeds are generally received income tax free by the beneficiary. If properly arranged, proceeds may not be included in an insured’s estate for federal estate tax purposes. Policy cash values accumulate tax-deferred, and you have access to those policy values on a tax-advantaged basis by withdrawing dividends up to premiums paid into the policy, or through policy loans.¹

Long-Term Value

Whole life insurance offers a guaranteed death benefit, guaranteed premiums and guaranteed cash value. The guaranteed cash value does not fluctuate as a result of events in the financial markets. It also offers the potential to earn dividends, which are not guaranteed. At MassMutual, that’s what we mean by long-term value.
How Does Whole Life Insurance Work?

Whole life is a permanent life insurance product. Unlike term insurance, which provides coverage for a specified period, it provides life insurance protection for a lifetime.

<table>
<thead>
<tr>
<th>Whole Life Insurance</th>
<th>Term Life Insurance</th>
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<tr>
<td>Whole life insurance provides a death benefit for the insured's lifetime.</td>
<td>Term insurance provides a death benefit only for the specified period.</td>
</tr>
<tr>
<td>Permanent insurance products build cash value that can be used as a benefit while the insured is living.</td>
<td>Term insurance provides pure death protection and generally does not build any cash value.</td>
</tr>
<tr>
<td>A whole life policy provides a guarantee that the policy’s cash value will increase over time.</td>
<td>Term insurance generally does not have any cash value.</td>
</tr>
<tr>
<td>Participating whole life has the potential to earn dividends, which can be used to buy additional paid-up insurance and increase the death benefit and cash value.</td>
<td>Term insurance does not increase in death benefit; you must purchase additional coverage instead.</td>
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The difference between term and permanent insurance can be compared to the difference between renting an apartment and owning a home. Both renting and owning provide a place to live, and both term and permanent insurance provide a death benefit. When you pay your rent, you are paying for just the roof over your head. Similarly, when you pay your term insurance premiums, you are purchasing pure death benefit protection. But neither your apartment nor your term insurance policy will build any equity for you.

However, if you own a home, each time you make a mortgage payment, you are building equity in your home – and that equity can be used as a source of cash in case of emergency, or when you need cash for any reason. The same is true of a whole life policy. Each premium you pay helps you build equity in the form of the policy’s cash value, which you can use as a living benefit should the need ever arise.
Whole Life Guarantees

- Guaranteed premium;
- Guaranteed cash value; and
- Guaranteed death benefit.

While other insurance products may offer one or sometimes two of these features, whole life is unique in providing all three.

**Guaranteed premium** – A whole life policy is issued with a fixed, guaranteed premium. The premium is based on your age, gender and health at the time your policy is issued, and is guaranteed not to increase. You won’t see any changes in your premium as you get older or if your health should change.

**Guaranteed cash value** – A whole life policy is issued with a schedule that tells you the guaranteed cash value increase each and every year. Each schedule is set so that the guaranteed cash value is equal to the policy’s face amount when the insured reaches a certain age. The guaranteed cash value’s growth is based on a fixed interest rate that is also guaranteed. Whole life is the only insurance product that guarantees a cash value increase each and every year.

**Guaranteed death benefit** – A whole life policy is issued with a guarantee that as long as the premiums are paid when due, and no borrowing occurs, the death benefit that was originally purchased will be paid at death to the beneficiaries. You can arrange your finances with the peace of mind of knowing your family will be protected after your death.

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**Take a Closer Look at the Guarantees of Whole Life Insurance**

The diagram below represents the design of a whole life insurance policy.

<table>
<thead>
<tr>
<th>Guaranteed face amount</th>
<th>Face amount</th>
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<tr>
<td>Age at issue</td>
<td>Age 100</td>
</tr>
<tr>
<td>Guaranteed cash value</td>
<td>Term premium</td>
</tr>
<tr>
<td>Age at issue</td>
<td>Age 100</td>
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</table>
Guaranteed Cash Value and Policy Reserves

The Society of Actuaries has developed Commissioners Standard Ordinary (CSO) mortality tables. The tables are approved and adopted by each state’s Insurance Department and the National Association of Insurance Commissioners (NAIC), and are used as the actuarial basis to determine guaranteed policy values. We’ve stated earlier that the guaranteed cash value of a whole life policy increases at a set schedule each year until it equals the policy’s face amount. The amount that the guaranteed cash value will increase each year, as well as its level premium structure, is based in part on the guaranteed mortality charges (based on the CSO Tables) and the policy’s minimum guaranteed interest rate, also reflecting the Company’s loads and expenses.

In order to credit the cash value increase (which is known and scheduled) and adequately prepare for payment of the benefit at the time of the insured’s death (which is unknown), insurance companies must accumulate money that is held in reserve. The guaranteed cash value of a whole life insurance policy is held in reserve by the insurance company and invested in the general investment account of the company, which includes assets that earn interest at a fixed rate. The reserves are held until they are paid out, either as part of the death benefit or cash value (if the policy is surrendered).

To refer back to the apartment/house analogy, the guaranteed cash value of a whole life policy is available to you in the form of a policy loan, just as a home equity loan provides you with cash borrowed against the equity of your house. If you choose to borrow part of the value of your whole life policy, the guaranteed cash value will continue to increase every year as scheduled.

Loans and Withdrawals

If a loan is taken, you will be billed annually for the interest. Loan interest can be paid out-of-pocket, or you may borrow loan interest if the policy has sufficient cash value. The policy loan amount will then be equal to the previous loan amount plus the accrued interest. Any loan and interest outstanding will be deducted from the death benefit if the insured dies, or the cash value of the policy is surrendered. Please note that loans can create the potential for policy lapse if, together with accrued loan interest, they grow faster than the cash value.

A whole life policy can provide liquidity for financial needs during your lifetime with the use of policy loans and/or withdrawal of dividends left in the policy, as well as a permanent death benefit (net of any loans taken or dividends withdrawn).
Dividends

We’ve stated earlier that whole life insurance purchased from a mutual company offers an additional advantage – MassMutual’s participating whole life insurance policyowners are eligible to receive a portion of the company’s earnings, known as “divisible surplus,” in the form of dividends.

What Are Policy Dividends?

MassMutual’s participating whole life policyowners are eligible to receive an equitable portion of the company’s divisible surplus as a dividend. Generally, dividends are declared and paid annually, but are not guaranteed.

Divisible surplus is the amount paid out after the company sets aside the funds required to meet contractual obligations, operating expenses, contingencies and general business purposes.

It’s important to understand that divisible surplus must be achieved in order to pay dividends. This is why the payment of dividends on any particular policy is not guaranteed.

Divisible Surplus Comes Primarily From Three Sources:

- Death claims (mortality) savings;
- Investment results; and
- Expense savings.

Death Claims (Mortality) Savings

Life insurance companies project the death claims that they expect to pay in the future, and use these projections in the process of determining policy premiums. Mortality savings result when the amount a company pays out in actual death claims is less than what was expected when premiums were determined.

Investment Results

Favorable investment results occur when a company’s actual investment returns exceed the guaranteed interest rate required to meet its contractual obligations to policyowners.

Expense Savings

Insurance companies factor expenses into their policy premiums. Expense savings occur when a company’s actual expenses are less than those assumed in determining the premium.

Although MassMutual cannot guarantee its ongoing ability to pay policyowner dividends in the future, the Company has paid annual policyowner dividends consistently since the 1860s.
How Are MassMutual’s Dividends Calculated?
If you are a participating whole life policyowner, the size of the dividend you may receive is determined by the Contribution Principle, which states that divisible surplus is returned to policyowners in the same proportion as the policyowners contributed to the surplus. The Contribution Principle treats all policyowners equitably in determining their share of dividends.

Dividend Interest Rate
The Dividend Interest Rate (DIR) is used to calculate the investment component of policy dividends. The DIR primarily represents the net investment return on the assets supporting the reserves and cash values for a certain block of policies.

The investment component of the dividend for a specific policy is based on the difference between the guaranteed cash value interest rate and the DIR. For example, if the guaranteed cash value interest rate is 4.00% and the Dividend Interest Rate is 6.7%, then the investment component of the dividend will be based on 2.7% (6.7% - 4.00%).

The DIR is not the rate of return on the policy. Dividends include an investment component, a mortality component and an expense component. Different life insurance companies may quote and apply Dividend Interest Rates differently. For example, some quote their DIR before investment expenses and some, like MassMutual, quote their DIR net of these expenses. As a result, you cannot use the DIR as the sole basis for comparing one whole life policy to another.

The Whole Story
Financial strength and value to our policyowners
MassMutual has a long history of standing behind its obligations to policyowners while also providing a good value. This is evidenced by the historical dividend studies published by the Company each year.

These studies compare the actual vs. illustrated dividends for policies that were issued by MassMutual as far back as 1980, and demonstrate the Company’s long-term commitment to policyowners over many years.

It’s important to keep in mind that illustrated dividends are not guaranteed, and that historical dividend performance is not an indicator of future results. Dividends will vary based on actual experience and may be higher or lower than illustrated. Our dividend histories bear this out.

But whether actual experience in the future is more or less favorable than what is assumed in the current dividend scale, our goal is to provide enduring value to our policyowners, while maintaining a commitment to financial strength and the principles of mutuality upon which our Company was built. We never lose sight of our most important obligation — to be there for our policyowners, ready and able to pay claims.
The Portfolio Average Method

MassMutual’s DIR is determined using a portfolio average method that reflects the portfolio earnings on all assets that support our participating permanent life insurance and participating annuity blocks. Each portfolio is made up of investments purchased over a number of years, so changes in new money interest rates have a gradual impact on the DIR. The stabilizing effect of the portfolio average method over time is among the reasons MassMutual and many other insurers use this approach to determine their Dividend Interest Rates.

MassMutual’s DIR Compared to Common Fixed Income Measures

This graph shows the relative stability of MassMutual’s Dividend Interest Rate compared to three common fixed income measures over an extended period of time. The values plotted in the graph are for each year from 1980-2017.

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</tr>
</thead>
<tbody>
<tr>
<td>MassMutual Dividend Interest Rate¹</td>
<td>8.27%</td>
<td>12.20%</td>
<td>10.50%</td>
<td>9.00%</td>
<td>8.30%</td>
<td>7.00%</td>
<td>6.85%</td>
<td>6.70%</td>
<td></td>
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<tr>
<td>Moody’s Seasoned Aaa Corporate Bond Yield²</td>
<td>9.63%</td>
<td>12.71%</td>
<td>9.26%</td>
<td>7.97%</td>
<td>7.05%</td>
<td>5.63%</td>
<td>5.31%</td>
<td>3.62%</td>
<td></td>
</tr>
<tr>
<td>10-year Treasury, annual rate³</td>
<td>9.43%</td>
<td>12.46%</td>
<td>8.49%</td>
<td>7.09%</td>
<td>5.65%</td>
<td>4.27%</td>
<td>3.26%</td>
<td>1.75%</td>
<td></td>
</tr>
<tr>
<td>One-year Treasury, annual rate⁴</td>
<td>10.65%</td>
<td>10.91%</td>
<td>8.53%</td>
<td>5.32%</td>
<td>5.08%</td>
<td>1.89%</td>
<td>0.47%</td>
<td>0.57%</td>
<td></td>
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¹ Refers to the MM-block of business, which comprises policies issued prior to the merger of Massachusetts Mutual Life Insurance Company and the former Connecticut Mutual Life Insurance Company in 1996. Starting with the 2012 dividend schedule, there is a single Dividend Interest Rate for all blocks.

² Moody’s yield on seasoned Aaa corporate bonds for all industries, quoted for the year preceding the Dividend Interest Rate shown; for 2017, the rate is the average monthly rate from January to September for the preceding year. Moody’s Aaa rates through December 6, 2001, are averages of Aaa utility and Aaa industrial bond rates. As of December 7, 2001, these rates are averages of Aaa industrial bonds only.

³ Market yield on U.S. Treasury securities at 10-year constant maturity, quoted for the year preceding the Dividend Interest Rate shown; for 2017, the rate is the average monthly rate from January to September for the preceding year.

⁴ Market yield on U.S. Treasury securities at 1-year constant maturity, quoted for the year preceding the Dividend Interest Rate shown; for 2017, the rate is the average monthly rate from January to September for the preceding year.
Dividend Options

You may elect to receive your dividends in cash or, depending on the type of policy you purchased, you may apply your dividends by choosing any of the following dividend options:

- **Reduce premiums** – Your annual dividend can be used to pay some or all of your annual premiums due. If the dividend exceeds the billed premium, any excess can be sent to you in cash, used to purchase additional insurance, left to accumulate and earn interest or used to repay any policy loan.

- **Paid-up insurance** – Your annual dividend can be used to purchase paid-up additional insurance coverage, adding to your policy’s death benefit and total cash value. If you choose this option, the additional insurance will also earn dividends. This additional coverage can be surrendered (canceled) unless needed as security for a policy loan, and the cash value from the paid-up additional insurance can be used by the policyowner for any purpose.

- **Accumulate at interest** – Your annual dividend can be left in the policy to accumulate at interest. The interest credited each year is treated as taxable income, which MassMutual must report to the Internal Revenue Service. Policyowners who select this dividend option will receive a 1099 form for the taxable interest after the end of each tax year.

- **One-year term** – Your annual dividend can be used to purchase one-year term insurance, supplementing your policy’s death benefit for that one-year period. Any excess dividend not needed to purchase one-year term insurance may be used to reduce premiums, purchase paid-up additional insurance or repay a policy loan.2

- **Loan repayment** – Your annual dividend can be used to repay a policy loan and policy loan interest.2

If you do not choose a dividend option when your policy is issued, your dividends will be used to purchase paid-up additional insurance. Dividend options can be changed at the request of the policyowner. Dividends left in the policy to purchase additional insurance or accumulate at interest can be withdrawn (partially or totally) at any time at the request of the policyowner, unless they are needed to secure a policy loan.

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2 Non-contractual dividend options currently available.
The Effect of Using Annual Dividends to Purchase Paid-Up Additional Insurance

The diagram on the right shows the effect of using annual dividends to purchase paid-up additional insurance which, if left in the policy, adds to the policy’s total cash value and total death benefit. Since dividends are not guaranteed, the additional insurance purchased by dividends is not considered part of the policy’s guaranteed death benefit, even though it is paid-up and does not require additional premium payments.

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Tax Status of Dividends

Internal Revenue Code Sec. 72 states that a life insurance policy dividend, when received, is a return of premiums paid into the policy and, as such, is not considered to be taxable income until the total amount of dividends received (plus any other non-taxable distributions) exceeds the policy’s cost basis (the total premiums paid).

Generally, dividends reduce the policy’s cost basis (but not below zero), unless they are applied to purchase policy benefits. Therefore, cash dividends, dividend accumulations and dividends used to pay policy loans or loan interest all reduce cost basis – while dividends applied to purchase paid-up additions or one-year term, or to reduce premiums on the same policy, have no net effect on cost basis. Surrenders of paid-up additions will reduce cost basis unless applied to reduce premiums.

Distributions from dividend accumulations have no effect on cost basis. If cost basis has been fully recovered (zero basis), any dividend will become taxable unless applied to purchase policy benefits.

There are circumstances when dividends are considered first to be a return of policy earnings and, therefore, are taxable. If a life insurance policy is a Modified Endowment Contract (MEC), any dividends distributed to the policyowner are taxable as income to the extent that there is a gain in the policy. Dividends that remain in the policy to purchase policy benefits – either applied to reduce the policy premium or to purchase additional insurance – are not taxable to the policyowner. We will notify you in advance if your policy is in jeopardy of becoming a MEC.
Other Features and Benefits

Whole life insurance offers guaranteed death benefit protection with cash value growth, and has the flexibility to meet your changing needs.

Policy Loans and Direct Recognition
You may borrow a portion of the cash value of the policy, including the cash value of dividend additions left in the policy, at any time. Annual interest is charged on a policy loan at either a fixed or an adjustable rate, selected at the time the policy is issued. If a policy loan is taken, loan interest is charged based on your interest rate selection. Once chosen, the type of loan rate cannot be changed.

If no policy loan is ever taken, the choice of loan interest rate will not matter. However, if you do choose to borrow from your policy, the loan interest rate can have an effect on any dividends earned from that point on. This effect is called direct recognition. Policies issued with a fixed loan interest rate are subject to direct recognition if a loan is taken.

Under a direct recognition practice, the Dividend Interest Rate that applies to the borrowed portion of a policy’s cash value reflects the net earnings of MassMutual’s loan portfolio, while non-loaned funds earn dividends at an interest rate according to the return on MassMutual’s entire investment portfolio (invested assets other than policy loans). Historically, MassMutual’s investment portfolio has earned more than its loan portfolio, so under direct recognition, dividends on loaned funds tend to be lower than dividends earned on non-loaned policy cash value.

The mortality and expense portion of policy dividends are not affected by direct recognition.

Automatic Premium Loan Plan
Your whole life policy’s loan provision offers an additional form of protection in the event that your annual premium is not paid when due. If the Automatic Premium Loan feature is selected at the end of the grace period, as long as your policy has sufficient cash value, a policy loan in the amount of the premium due is automatically processed to pay your outstanding premium.

This Automatic Premium Loan feature may be turned on or off at the request of the policyowner. An Automatic Premium Loan, like a loan requested by a policyowner, can be repaid at any time in any amount. If not repaid, any loan amount, in addition to the loan’s accrued interest, will be deducted from the death benefit or cash value when paid.

\(^1\) State law may dictate the available loan rate.
Riders and Additional Benefits

A life insurance rider allows certain provisions (for example, additional coverage or benefits) to be added to a life insurance policy that may not be included in the basic coverage. Riders generally incur a cost that is added to the base policy premium.

The type of benefits provided by riders that may be attached to whole life policies include:

- **Disability coverage** – A “waiver of premium” rider allows the policy’s premiums to be waived if the insured becomes totally disabled, as defined by the rider.

- **Insurability protection** – This rider guarantees the right to purchase specified amounts of additional life insurance coverage on the insured on a pre-determined schedule, without submitting medical evidence of current health status.

- **Paid-up additional insurance** – This rider gives the owner the right to purchase paid-up coverage within limits set at issue. This additional insurance adds to the policy’s cash value and death benefit, and will earn its own dividends when payable.

- **Term insurance** – Additional lower-cost coverage can be obtained by attaching a term insurance rider to a base whole life policy. This type of rider must be renewed periodically and the cost will increase with the insured’s age.

Another type of rider provides premium flexibility:

- **Life insurance supplement** – Provides a combination of term insurance and paid-up additional whole life insurance funded by both premiums and policy dividends, if paid, which can add lower cost coverage to the base whole life policy.

Riders can often be added or dropped as a policyowner’s needs change. Some riders added after the policy is issued may require evidence of insurability to be provided.
Non-Forfeiture Options

A whole life policy’s cash value provides protection if you decide not to pay any more premiums out-of-pocket. Under a non-forfeiture option, coverage under the original policy is not entirely forfeited if premium payments stop.

**Reduced paid-up option** – Whole life insurance offers a contractual provision under which the death benefit can be reduced with no further premiums required. This is referred to as the reduced paid-up option.

The reduced paid-up option takes your policy’s total cash value (minus any debt), including that of any paid-up additions, and uses it as a single premium for a paid-up policy. The policy’s death benefit is reduced to an amount that can be purchased by the policy’s cash value as a single premium based on the insured’s attained age. While often triggered by non-payment of premium, the reduced paid-up option can be exercised by the policyowner at any time. Electing the reduced paid-up option means no further premium payments are required and no policy charges are deducted from the cash value. Your policy will continue to earn annual dividends, if paid, which can be taken in cash or used to increase the policy’s cash value and death benefits. Loans are available on reduced paid-up policies, and if a loan is taken, dividends can be used to reduce loan balances and interest.

**Extended term option** – Another non-forfeiture option, extended term, provides term coverage in an amount equal to the policy’s current death benefit for as long as the cash value (net of debt) will cover the term charges. The length of the term coverage is determined by the amount of cash value in the policy at the time this option is triggered.
Rate of Return

Whole life insurance provides a guaranteed minimum rate of return on the policy’s cash value, but whole life should never be bought solely for its rate of return. You should choose a policy based on the protection it offers.

The rate of return on a policy’s cash value is based on the total amount of premiums paid into the policy and the amount of cash value at the end of the year. The rate of return on a policy’s cash value can be negative in the early years as the policy’s cash value builds gradually over time.

The rate of return on a policy’s death benefit is based on the total amount of premiums paid into the policy and the amount of death benefit paid out. If the death benefit is paid in the early years of the policy, the amount of premiums paid may be low in relation to the amount of death benefit paid out. Consequently, the rate of return on a policy’s death benefit is very high when a policy is new.
Buy Term and “Invest the Difference”?  

Some financial professionals believe that permanent life insurance – with its cash value as a built-in savings component – may not be a good choice for either long-term protection or investment purposes. These individuals advise clients to buy term insurance (which tends to have a lower initial premium than whole life insurance) for death benefit protection and invest the premium savings for a potentially higher return.

Keeping in mind that whole life insurance should not be purchased solely as an “investment,” the following are several reasons why “buy term and invest the difference” may not be a sound strategy:

- **Term insurance is typically purchased for a temporary need**, since it expires at the end of a specified time period. Premiums normally increase if the policy is renewed, and this may become cost-prohibitive if coverage is still needed. For most people, the need for life insurance does not disappear; it changes as their financial situation changes. Whole life insurance premiums will remain level for the life of the policy, and the policy will provide a guaranteed death benefit as long as the premiums are paid when due.

- **Premiums for term insurance increase as the insured gets older** and can be substantially higher at older ages, making the cost of continuing coverage prohibitive. The increasing cost of the premium could erode the alternative investment into which premium savings have been invested.

- **Taxable annual income may be incurred** from the growth in the alternative investment. Also, funds withdrawn from investments are often taxable if a gain is recognized.

- **Many people do not have the discipline to invest a specified amount of money** at the same time every year. The more years of investments missed, the less likely it is that the investment will grow to the desired amount.

- **All investments have some inherent risk** and may need to be managed on an ongoing basis. An investment that goes down in value might not provide sufficient funds to meet the financial objective of family or business protection. Investment management requires advisory skills that the owner may have to pay for separately, affecting the rate of return.
Whole Life vs. Universal Life

Universal life and whole life are both types of permanent insurance, and both offer death benefit protection and the potential for cash value accumulation. However, they are designed very differently. With universal life insurance, net premium payments are credited to the policy’s account, which is credited with earned interest and from which policy charges, including cost of insurance (mortality charges) and administration charges are deducted monthly. The account value earns interest at a rate that changes monthly (subject to a guaranteed minimum rate), reflecting the experience of the company’s general investment account. Insurance charges increase annually with the insured’s age and may or may not cease when the insured reaches age 100.

Universal life policyowners can choose a premium amount and change it, within certain limits. Unlike whole life, universal life premiums do not have to be paid to maintain the policy. As long as the policy has sufficient account value to cover the monthly charges, the policy will stay in force to provide a death benefit. Universal life is often purchased for this premium flexibility. However, keep in mind that the death benefit is not guaranteed solely because premiums are paid; the death benefit is only payable if the policy remains in force because there is sufficient account value to pay monthly charges. These charges tend to rise over time, as the cost of insurance increases with age. Additionally, if a universal life insurance policy is surrendered, a separate surrender charge is assessed for up to 20 years.

Using current assumptions and a hypothetical credited interest rate, a universal life policy illustration can show how much of the premium is applied to policy charges and how much remains in the policy’s account value to earn interest.

A whole life policy’s premium, by contrast, is “bundled” so that the cost of the insurance coverage cannot be determined as part of the fixed, guaranteed premium. Because a whole life policy’s guaranteed cash value increases based on a set schedule, it is not subject to fluctuations in short-term interest rates, as is universal life’s account value. While some universal life policies can offer guarantees, whole life is the only insurance product that guarantees a cash value increase each and every year.

What guarantees can universal life offer?

Most universal life policies offer a guaranteed minimum interest rate credited to the policy’s account value. Some policies offer a guaranteed death benefit, based on cumulative premiums plus interest, or a sufficient account value. Universal life policies also offer guarantees on the maximum mortality and policy charges that can be deducted from the account value. Universal life policies cannot guarantee the cash value will grow each year, nor become equal to the policy face amount.
Fundamental Insurance Planning Questions
As the foundation of your financial strategy, life insurance offers a unique form of protection. A whole life insurance policy can provide benefits both during and after your lifetime to meet your needs over the long term. Although it may be impossible to predict what will happen to you over the next 10, 20, 30 or 40 years, you can purchase a whole life insurance policy that can provide a lifetime of coverage and the flexibility to help you to be prepared for life’s opportunities and uncertainties. Ask yourself these questions:

• **What will happen if I live too long?**
• **What will happen if I die too early?**

Can you protect yourself, your family or your business from the adverse financial consequences of these occurrences? Yes, you can. You can purchase a whole life policy today and be confident that the protection it offers will be there over the long term – for those you care about most.

*For additional information, talk to your financial professional.*
There are many reasons to choose a life insurance company to help meet your financial needs: protection for your family or business, products to provide supplemental income and the confidence of knowing you will be prepared for the future.

At Massachusetts Mutual Life Insurance Company (MassMutual), we operate for the benefit of our participating policyowners. We stand strong in the fundamental belief that every secure future begins with a good decision. And when choosing a life insurance company – ownership, strength and stability matter.

Learn more at www.massmutual.com/mutuality