MassMutual

The Value of Whole Life Insurance in Your Client's Overall Financial Strategy

Whole life insurance from Massachusetts Mutual Life Insurance Company (MassMutual®) is a versatile financial asset that can play an important role in your clients' long-term protection and accumulation strategies. Including whole life insurance in your client's overall financial strategy can add diversity and help reduce financial risk. Consider the following example:

Your client, Dr. Siesta, is an anesthesiologist earning a substantial income. He is 45 years old and has a wife and three children. Dr. Siesta and his medical group are making the maximum contributions to their qualified retirement plans. He is looking for tax-efficient ways to supplement his long-term accumulation strategy. His tax accountant has suggested that he invest $50,000 of his after-tax income each year in a high-yield municipal bond fund. The bond fund is currently earning a net annual return of about 3% (income tax-free), which will be reinvested until Dr. Siesta retires at age 65.

However, Dr. Siesta also needs additional life insurance to help protect his family. He does not own any permanent life insurance. You suggest he use $25,000 of the $50,000 to purchase a MassMutual Whole Life Paid-up at 65 policy.

Dr. Siesta decides to invest $25,000 per year in the bond fund and use the remaining $25,000 to purchase the whole life policy. The following table illustrates how these two financial products can more effectively address Dr. Siesta's protection and accumulation goals while he is working and saving for retirement.

WHOLE LIFE INSURANCE POLICY AND TAX-FREE BOND FUND (BEFORE RETIREMENT)

Bond Fund				Whole Life Policy[1]		
Year	Age	Total Deposits	Fund Balance	Total Premium	Total Cash Value	Total Death Benefit
1	46	$ 25,000	$ 25,750	$25,000	$3,338	$776,537
5	50	$ 125,000	$ 136,710	$125,000	$88,852	$819,107
10	55	$250,000	$ 295,195	$250,000	$238,079	$895,507
15	60	$375,000	$478,922	$375,000	$431,226	$1,008,033
20	65	$500,000	$691,912	$500,000	$676,035	$1,153,505

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[1] This hypothetical example is for training purposes only. Policy illustrated: MassMutual Whole Life 65, male, issue age 45, Select Preferred Non-Tobacco, initial face amount: $767,457, dividends applied to purchase paid-up additions with the Adjustable Loan Rate. The Total Cash Value and Total Death Benefit include dividends, which are not guaranteed. Dividends in future years may be lower or higher, depending on the company's actual experience. When working with clients, a Basic Illustration must be presented using current assumptions and the current dividend schedule. Clients should be referred to the Basic Illustration for guaranteed elements and other important information.

Based on the 3% annual earning rate assumption for the bond fund, it will accumulate to almost $692,000 by the time Dr. Siesta is ready to retire at age 65. His whole life policy will help protect his income while he is saving for retirement and other important financial goals. At age 65, when the policy is paid-up, the illustrated Total Death Benefit is $1,153,500 and his illustrated Total Cash Value is $676,035.[1] He could also elect to add the Waiver of Premium rider to his policy, for an additional premium. If he becomes disabled and qualifies for rider benefits, his premiums will be waived, his coverage will remain in place, and his cash value will continue to grow at the same rate.

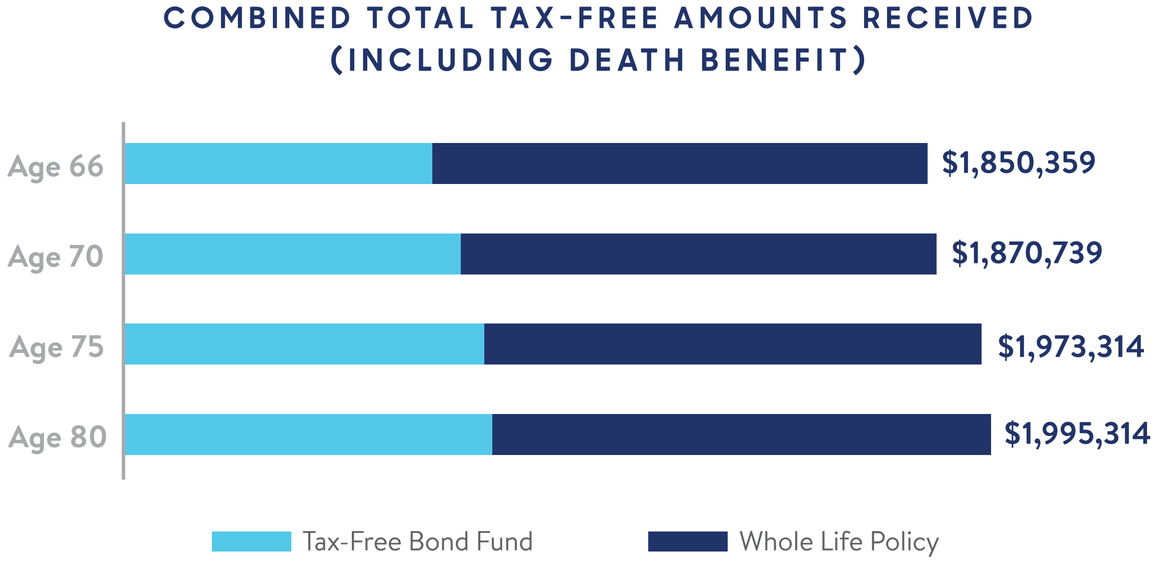
Once Dr. Siesta gets to retirement, he will begin using both his bond fund and whole life policy as sources of supplemental retirement income. Based on the 3% annual return assumption, he would be able to take $55,000 out of his bond fund each year for 15 years until he is age 80. Based on a current illustration, the whole life policy would provide an annual tax-favored distribution of just over $63,700 for 15 years, using a surrender to cost basis and borrow strategy.[2] The following table shows the total bond fund withdrawals plus the remaining fund balance, and the total whole life policy distributions plus the net cash value. It also shows the total policy distributions plus the net death benefit, which represents the total income tax-free amounts received once death occurs.

WHOLE LIFE INSURANCE POLICY AND TAX-FREE BOND FUND (DURING RETIREMENT)

Bond Fund @ 3%					Whole Life Policy[1]				
Year	Age	Total Withdrawals	Fund Balance	Total Withdrawals Plus Fund Balance	Total Income[2]	Net Cash Value (NCV)	Net Death Benefit (NDB)	Total Income[2] Plus NCV	Total Income[2] Plus NDB
21	66	$55,000	$656,020	$711,020	$63,706	$644,541	$1,075,633	$708,247	$1,139,339
25	70	$275,000	$501,353	$776,353	$318,530	$501,248	$775,856	$819,778	$1,094,386
30	75	$550,000	$280,443	$830,443	$637,060	$284,668	$506,134	$921,728	$1,143,194
35	80	$825,000	$24,348	$849,348	$955,590	$19,798	$190,376	$975,388	$1,145,966

[2] Distributions under the policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (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 if the policyowner is under age 59½. Access to cash values through borrowing or partial surrenders will 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.

The following chart shows the combined total tax-free amounts received from the bond fund and the whole life policy, assuming death at different ages. This is equal to the sum of the total withdrawals plus the fund balance and the total income plus the whole life policy net death benefit.



In this case, adding whole life insurance to Dr. Siesta's financial strategy offers the following advantages:

- It provides life insurance to help protect his family while he is saving for retirement and other financial goals.
- The policy cash value accumulates tax-deferred, will never decline in value due to market conditions, and may be a reliable source of funds for retirement or other financial goals.[2]
- He has the option to take tax-favored distributions from the policy.[2]
- An income tax-free death benefit will be paid to his wife or family.

Overall, adding the whole life policy provided additional financial security for Dr. Siesta's wife and family, and may allow him and his wife to enjoy a more secure and comfortable retirement.

MassMutual...

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All guarantees are subject to the claims paying ability of the insurance company.

The products and/or certain features may not be available in all states. State variations will apply.

Whole Life Legacy series policies ((Policy Forms: MMWL-2018 and ICC18-MMWL in certain states, including North Carolina)/(MMWLA-2018 and ICC18-MMWLA in certain states, including North Carolina)) and MassMutual Whole Life series policies on the Coverpath platform (Policy Forms: WL-2018 and ICC18WL in certain states, including North Carolina) are level-premium, participating, permanent life insurance policies issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-0001.

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