



## Understanding Policy Loans and Dividends

MassMutual®'s Whole Life products, excluding CareChoice products, offer a choice of a fixed loan rate or an adjustable (variable) loan rate. Policyowners must choose their loan rate option when they apply and cannot change it once the policy is issued. This brochure examines how both loan options work. It reflects our current practices under the 2023 Dividend Schedule. Dividends are not guaranteed, and these practices are subject to change.

When a policyowner takes a loan on a Whole Life policy, he or she is borrowing against the cash value of the policy. The funds come from MassMutual's General Investment Account.



## Fixed Loan Rate

MassMutual offers a Fixed Loan Rate (FLR) of 6% on most Whole Life policies, the CareChoice policies have a FLR of 8%. If there is an outstanding loan with the FLR, dividends are adjusted based on the amount of loan interest paid, the current dividend schedule and current loan practices. This adjustment is known as direct recognition, and it may be positive or negative.

Under the 2023 Dividend Schedule, the FLR adjustment results in a higher dividend payment if there is an outstanding loan.

## Adjustable Loan Rate

Under the Adjustable Loan Rate (ALR), the loan rate for a given policy may be reset annually based on the ALR in effect for the policy anniversary month. The maximum adjustable loan rate (ALR) for a given month is based on the monthly average of the Composite Yield on Seasoned Corporate Bonds as published by Moody's Investors Service, Inc. or, if higher, the policy's guaranteed interest rate plus 1%.

There is no dividend adjustment for the ALR option.

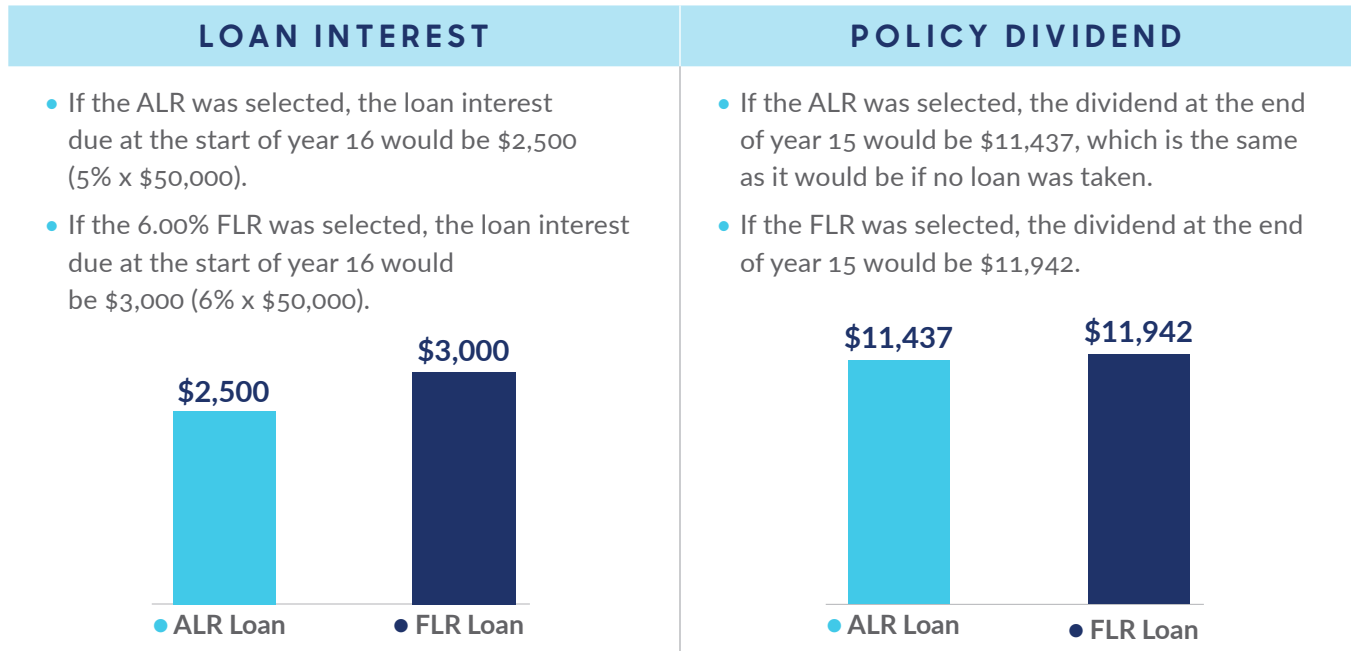
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## Comparing the Adjustable and Fixed Loan Rate Options

When choosing between the ALR and FLR options, there are two factors your clients should consider – the **loan interest** that they will pay and the impact on the **dividends** they receive. The following example illustrates how the two loan options work and why.

Assume a 35 year old male, Ultra Preferred Non-Tobacco, purchased a \$1,000,000 MassMutual Whole Life 65 policy in 2023, and took a \$50,000 loan at the start of policy year 15. For this example, we will also assume an ALR of 5% and the 2023 Dividend Schedule will be in effect in policy year 15 when the loan is taken.



While the annual loan interest is \$500 higher with the FLR, the dividend paid increased by \$505.

The dividends with the FLR option are adjusted to account for the loan interest paid to MassMutual and what MassMutual needs to earn in the Company’s investment portfolio for the current dividend schedule. The adjustment may be positive or negative. In this case the adjustment added 1.01% of the loaned amount to the policy dividend.

With the ALR, policyowners pay loan interest based on the loan rate in effect on their policy anniversary. While this loan rate may increase or decrease each year, no dividend adjustment is made because, over time, the loan rate reflects the approximate returns of the investment portfolio for the dividend schedule.

These values are not guaranteed. They include dividends that are neither estimates nor guarantees, but are based on the 2023 dividend schedule. Dividends in future years may be lower or higher, depending on the company’s actual experience. For this reason, we strongly recommend you look at a lower schedule illustration. **Refer to the Basic Illustration for guaranteed elements and other important information.**

While ALR and FLR operate differently, over the long term, both loan options are designed to treat policyowners who borrow from their whole life policies equitably. For this reason, there is no “best choice” between the adjustable or fixed loan rate options.

Before deciding to take a policy loan, it’s important for your clients to consider the long-term impact that carrying a loan may have on their policy.



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Since 1851, our business decisions have been guided by our customers' needs. Today, we offer a wide range of financial products and services to help people secure their future and protect the ones they love.

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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 digital 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 (MassMutual), Springfield, MA 01111-0001.

