# Whole Life vs. Term Life Insurance

## A historical perspective

Participating whole life insurance offered by
Massachusetts Mutual Life Insurance Company (MassMutual®)

In 1995, there were two women, Ana and Brenda. They were both 35-year-old preferred non-smokers who needed $250,000 of life insurance. However, they each made different buying decisions to get the coverage they needed.

**Ana** purchased a $250,000 MassMutual whole life insurance policy.[1] The premium of her policy was $3,450 each year until she turned age 65, at which time her policy was guaranteed to be paid up (no additional premiums due). She used the policy dividends she received to purchase additional paid-up whole life insurance each year, increasing both her life insurance protection and cash value. Dividends are declared annually and are not guaranteed.

**Brenda** purchased a $250,000 30-year term life insurance policy at the same time. Since there were very few 30-year term policies offered in 1995, we'll assume she paid an annual premium of $350.

Brenda also decided to invest the difference between her annual term premium and Ana's whole life premium ($3,450 - $350 = $3,100) in a hypothetical no-load bond mutual fund[2] for 30 years. The annual investment expenses for this fund were .25% of the fund balance. She paid income taxes on her fund earnings each year at a tax rate of 28%, which was paid out of the fund value each year.

[1] Eligible participating policies issued by Massachusetts Mutual Life Insurance Company prior to the merger with the former Connecticut Mutual Life Insurance Company in March 1996 are no longer sold. Policy values shown are based on a hypothetical insured and assume the policy was issued with an adjustable loan rate, and no loans were taken. This example assumes the policy was issued on January 1, 1995.

[2] Hypothetical no-load bond fund based on the historical annual returns of the Bloomberg U.S. Aggregate Bond Index (formerly Lehman Aggregate Bond Index prior to 11/1/2008); less an assumed annual expense fee of .25%. The Index does not represent the performance of a specific fund. You cannot invest directly in an index.

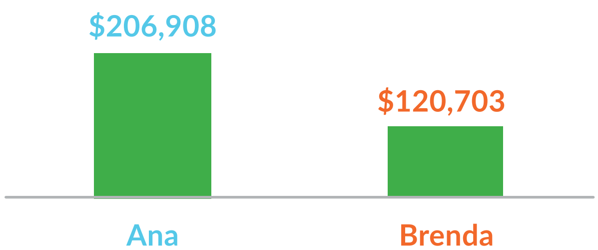
**The decision to purchase life insurance should be based on long-term financial goals and the need for a death benefit. Life insurance is not an appropriate vehicle for short-term savings or short-term investment strategies. While the policy allows for loans, you should know that there may be little to no cash value available for loans in the policy's early years.**

**The information provided is not written or intended as specific tax or legal advice. MassMutual, its subsidiaries, employees and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.**

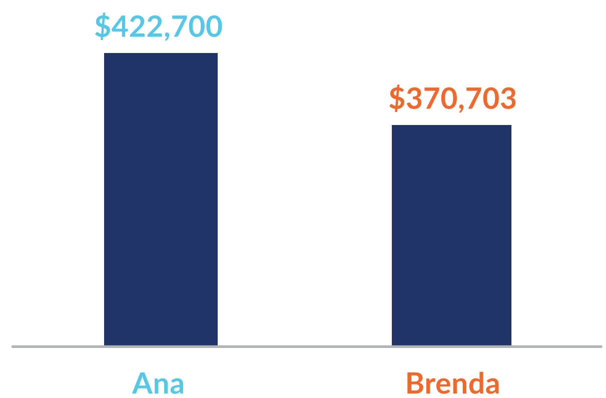
## The Results

The following illustrates the results for Ana and Brenda at the end of 2023.

### CASH VALUE OR FUND BALANCE




### VALUE AT DEATH




**Brenda's** term life insurance policy was still in place at the end of 2023. With this term coverage in place, her beneficiaries would receive the total of the policy death benefit and the bond fund balance. Her bond fund returns varied each year over a period of 29 years, including 5 years of negative returns. The average annual return for the fund over the entire period was **4.53%**. The fund value was greater than Ana's whole life policy cash value over the first 17 years. After fees and income taxes, her total fund balance in 2023 was **$120,703**, which means the value available to her beneficiaries would have been **$370,703**.

**Ana's** whole life policy had **$422,700** of guaranteed, paid-up life insurance and a cash value of **$206,908** in 2023. If she surrendered[3] her policy for the cash value, the after-tax value would be **$176,988**, assuming the same 28% income tax rate. She also has the option to keep her policy in place and allow cash value to continue to accumulate tax-deferred for the latter part of her retirement.

**While Brenda's strategy of buying life insurance and investing the difference looked better initially, Ana's whole life insurance delivered better long-term value.**

[3] 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.

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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.

Any guarantees explicitly referenced herein are based on the claims-paying ability of the issuing insurance company.

Participating whole life insurance products issued by Massachusetts Mutual Life Insurance Company (MassMutual), Springfield, MA 01111-0001.



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