



5 MISCONCEPTIONS ABOUT WHOLE LIFE INSURANCE

You may have heard about whole life insurance from your financial advisor, on the news or through social media. There are plenty of advocates, and an equal number of critics of whole life insurance. Below we dispel some of the popular misconceptions about whole life insurance to help you make an informed decision about this well-established and versatile financial product.

5 Misconceptions About Whole Life Insurance

01 Whole Life Insurance Lacks Flexibility
Whole life insurance requires a fixed premium (cost), but it's important to know that policy riders¹ can customize coverage options and add flexibility to both premium payments and benefits. Whole life policies can earn dividends² which may be used several different ways, including to pay premiums, add death benefit and cash value, or to accumulate within the policy. The policyholder may use available cash values to pay premiums. Cash values provide collateral for policy loans³ which may be used for any purpose the policyholder chooses.

02 Buyers Should Prioritize Equity-Based Products to Whole Life Insurance
Equity-based product returns can be substantial, for sure. They also frequently prove to be quite volatile. They offer no guarantees. Whole life insurance can be a valuable tool in your financial portfolio as it may offer a level of stability. Whole life insurance policies from a mutual life insurance company may earn dividends, adding to the policy's value. Plus, cash values grow on an income tax-deferred basis and paid-up additions dividends credited to the policy may also enjoy income tax deferral.

03 Cash Values Grow Slowly
Whole life insurance includes two important components: (1) the death benefit payable to the beneficiary(ies) when the insured dies, and (2) the savings portion called the cash value. Cash value grows steadily over time, provided premiums are paid, and eventually equals the death benefit. Historically, many whole life insurance policies' cash values materialized by the second or third year. However, today's policies constructed with specialized and optional riders can develop cash values immediately. For these policies, cash values grow in value every year.



Why Security Mutual Life?

Since 1886, Security Mutual Life Insurance Company of New York has earned the trust, respect and confidence of hundreds of thousands of policyholders. Security Mutual Life is committed to conducting business according to high standards of fairness, honesty and integrity. This guiding philosophy, combined with sound investment and management practices, enables the Company to keep its commitments and earn the public's confidence, year after year. Building better tomorrows through commitment to policyholders, financial stability, product excellence, and corporate responsibility: Security Mutual Life... *The Company That Cares®.*



Whole Life Insurance Is Expensive

Whole life insurance with its guaranteed premiums (provided they are timely paid), cash values and death benefits, helps provide peace of mind few other life insurance products can offer. The one drawback to whole life insurance may be the required out-of-pocket premium expense. For example, whole life insurance premiums far exceed term life insurance premiums for comparable death benefits. Term life insurance, on the other hand, has no cash value and term life insurance costs increase every year, even though term life insurance may have level premiums for some period. Eventually, term life insurance premiums substantially exceed whole life insurance premiums.

The whole life insurance policy's savings component must be factored into the cost calculation. With the cash value savings component, the net cost is the difference between the cumulative premiums paid and the cash value generated. Compare the net cost to the cumulative term life insurance premiums to see a more complete picture of the cost. Even though a whole life insurance policy's net cost reduces as the cash value grows, many perceive the out-of-pocket whole life insurance premium to be prohibitive. Whole life insurance's guarantees come at a cost. While not guaranteed, optional riders with non-guaranteed premiums may help reduce premium payments to a more acceptable level.



Whole Life Insurance Lacks Living Benefits

The cash value of a whole life policy can be used as collateral for policy loans, giving the policyholder access to a cash reserve, an important living benefit for personal or business needs. Whole life cash value can be used to supplement retirement income. Benefits for chronic or terminal illness may be obtained from whole life insurance with optional accelerated death benefit riders.⁴ These valuable living benefits can help provide funds at extremely difficult times for families, when they need them most and while the insured is alive.

BONUS: A Sixth Misconception



Whole Life Insurance Income Tax Benefits are Immaterial

Income tax treatment of life insurance can be an important consideration when making purchasing decisions. Life insurance premiums are generally not income tax deductible. There are many income tax benefits of life insurance and whole life insurance, in particular. Generally, life insurance beneficiaries receive death benefit payments income tax-free whether from whole life insurance or term life insurance. With whole life insurance, the growth of its cash value is also generally not subject to income tax. While policy loans reduce a whole life insurance policy's death benefit and cash surrender value, they are generally not considered taxable distributions provided the policy remains in force. Other important income tax benefits should be considered. Tax laws can be complex, and they do change periodically. **Consult your tax advisor for additional information about life insurance and income tax.**

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¹Riders may not be available in all states and on all cases.

²The payment of dividends is not guaranteed, and the amount credited, if any, may rise and fall depending on experience factors such as investment income, taxes, mortality and expenses.

³Loans from the policy will reduce the death benefit and cash surrender value and may cause the policy to lapse. Outstanding policy loans accrue interest. Lapse of a policy with a loan may have tax consequences.

⁴Receipt of accelerated death benefits may be taxable or may affect eligibility for public assistance programs.

This publication describes the features of whole life insurance in general terms. This is not a policy. In the event of a conflict between the terms outlined within and the policy, the terms of the policy will control. Product, features and benefits may not be available in all states.

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Life insurance policies contain exclusions, limitations and terms for keeping them in force. Your agent can provide costs and details.

Guarantees are based on the claims-paying ability of Security Mutual Life Insurance Company of New York.

We encourage readers to seek personalized advice from a qualified professional regarding their personal financial circumstances and objectives.

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