Par Whole Life – Stealth Life Insurance

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What is the primary difference between Par Whole Life and regular Whole Life?

Is it worth considering for today's client? If so, why?

It has been called recently the "***stealth life insurance***" product, because it has stayed under the radar. No fan fare. Just keeps doing its job of protecting families from financial disaster.

With the emphasis on guarantees in today's market place, there is not a better fit. Timely payment of premium is all that is required to guarantee the policy death benefit and the contractual cash value.

Yet, the par whole life contract has the ability to provide substantial non-guaranteed values with dividends. The combination of dividends and the guaranteed death benefit has the ability to provide substantial flexibility in retirement while providing a death benefit.

Like universal life it has guaranteed and non-guaranteed illustrated values.

Note that unlike many other retirement vehicles that are tied to the overall market like IRA's and other contribution accounts, par whole life's performance is tied to the insurance companies profitability only. So, it is not impacted as much by external markets. So for the client with other money accumulation programs tied to the market may be comfortable putting money into a par whole life as a form of diversification with guarantees and death benefits.

The tax benefits are tremendous. Policy dividends paid as cash and surrenders of paid-up additions from a par WL contract are considered return of premium basis for aggregate cash amounts up to the premiums paid into the contract. The loans can be taken to access the excess cash generated on a tax-free basis.

As long as the remaining policy death benefit always exceed the created policy loan and interest, the death benefit will pay of the loan at the insured's death, with no adverse tax consequences for the beneficiary.

There are no age driven tax penalties on dividends and other values.

Dividend payments provide additional flexibility. What are the dividend options?
Buy paid-up additions. Paid in cash. Accumulate at interest. Repay loans. Reduce premiums.

Limited payments by using the dividends to reduce premiums as soon as possible may be attractive to your more affluent clients. Farmers and business owners like this option.

As people age and needs change
How Clients Can Change Dividend Options Over Time

- In early years, dividends might be used to buy paid-up additions to increase death benefit, which themselves potentially can produce more dividends.
- In later policy years, if cash is tight for the policyholder (as when children are in college), the dividend option might be changed to help reduce or eliminate the policy premium.
- At retirement, the dividend option can be changed again and received in cash to supplement income, along with intermittent surrenders of prior paid-up additions.
- If owners ever take out policy loans, they can use the dividends to repay those loans.