

# What is All Base Whole Life

Whole life (WL) is a type of permanent insurance which will last your entire life if it is funded properly. Whole life can be issued by a mutual (policyholder owned) or a stock company (stockholder owned) and it may be participating or nonparticipating. Participating policies are generally issued by mutual carriers and are credited dividends which are commonly defined as refunds or profit sharing of the insurance carrier. Nonparticipating policies are generally used by stock companies and are credited with stated interest rates.

Dividends may be used in a number of ways, including paying the premiums, buying additional insurance, be returned in cash and other options depending on the insurance carrier.

Whole life often accumulates a meaningful cash value. The premiums are fixed and are usually, but not always, level every year. Definitionally, the cash value of a whole life policy must equal the death benefit of the whole life portion of the policy at policy maturity.

Most whole life policies are guaranteed only if premiums are made every year but short pay guaranteed whole life is also available. Many short pay projections are not actually guaranteed, which is a surprise to many policy owners.

Cash value of whole life policies can be borrowed for other uses. However, this must be thoroughly understood as the consequences of not managing this appropriately can be disastrous, including losing the entire policy, all of the money put into it, the death benefit and be saddled with a tax bill for phantom gain. If the premiums are not paid out of pocket every year, depending on how the contract was structured, the premiums may be paid by internal policy loans. This may or may not work as expected and sometimes drives disastrous consequences.

Loans at death are subtracted from the death benefit. Any accumulated cash value at death does not get added to the death benefit but goes back to the insurance company.

Whole Life is a general account product. The cash value is credited, after expenses, with a dividend declared by the insurance carrier. The dividend is subject to annual change.

WL policies may be single life or second-to-die contracts.

All permanent life insurance must be managed.

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## Life Insurance Consulting

1444 Michigan Street, Grand Rapids, MI 49503 | [Bill@oc-lic.com](mailto:Bill@oc-lic.com) | Tel: (616) 456-1000

oc consulting  
group

