

THE ADVANTAGES OF WHOLE LIFE

What are the advantages of [whole life insurance](#)? Do they exist? We often hear that it is the worst financial product. What if the opposite were true? When would you want to know?

I'd say that the majority of people out there know little to nothing about whole life insurance, much less the advantages of whole life insurance. (Even the employees at the administration office of these insurance companies offer little whole life insurance advice!) Now, we're not insurance salespersons, but we've learned a lot about it in the past few years.

So why do we love this product? It's because of the *living* advantages of whole life insurance.

The Living Advantages

When people think of the benefits of life insurance, they usually only focus on the death benefit. Well, with term insurance that's the only thing it has to offer. But with whole life insurance, there are living benefits. There are advantages of whole life insurance available to you when you are alive.

The Infinite Banking System

What this strategy entails is funding your personal [infinite banking](#) system in whole life insurance policies. Then instead of going to a financial institution to finance your purchases, you take out [policy loans](#). What this does is put you in control of the loan and you still earn interest on the cash value that's within the policy.

This enables you to recapture the interest that you would have paid to a financial institution. If you use this strategy alone, you will realize all the wealth that is paid to other banks.

- **Premium Cost is Guaranteed**

A key advantage of whole life insurance is that the cost of the premiums paid to the policy will never increase. This is important, so we'll repeat again.

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The reason why this is important is because with term policies, your rates will rise over time. This is due to the changes in your health and age. As you get older, your chance of dying increases. Since the life insurance company takes on that risk, they increase the cost of premiums.

With whole life insurance, the premium cost will stay the same as long as the policy is in force. Even if you are gravely ill, the cost will never change. It's guaranteed.

Bonus Advantages of Whole Life Insurance: As the years go by, the policy actually gets cheaper. What's one of the [eroding factors of money](#)? Inflation. As time progresses, you are paying the premiums with inflated dollars, which means that the premiums get cheaper and cheaper. The [time value of money](#) is working for you.

Premium Consists of Guaranteed "Cash Value" and Death Benefit

The premiums paid go towards increasing the cash value AND death benefit. But the key here is that they are **guaranteed**. Your cash value and death benefit can never decrease in value unless you start withdrawing the cash value from the policy.

Let's look at [401k retirement plans](#). The cash value amount in your 401k can increase. But, it can decrease because of the fluctuations in the market. You are not guaranteed any cash value amount in your 401k. You can literally lose everything that you have put into it.

The [401k advice](#) that doesn't make sense is to keep investing in something that is losing

Your whole life insurance policy acts as a savings account, which is one of our [strategies to save money](#). When you pay your premium and your cash value increases, it's guaranteed. When interest is earned and added to your cash value, it's guaranteed. The same applies to your death benefit.

- Cash Value Grows Tax-Advantaged

With [401k investments](#), you are only [deferring taxes](#). You will be paying taxes later once you start withdrawing funds from the plan.

With a whole life insurance policy, you pay the premiums with after-tax dollars. The cash value grows without taxation. You are only taxed after your withdrawals from the policy exceed your basis (the total amount that you put into the policy).

However, there are strategies to get all of your money out, and the gains, TAX FREE!

- Policy Pays a Dividend

Whole life insurance policies, also referred to as dividend paying, permanent insurance policies, pay dividends. Now, the key thing here is that these dividends aren't taxed. They are actually considered *returns of premium*.

For example, let's say that you pay \$1000 into the policy. At the end of the year, the insurance company looks at how efficient it was with your policy. Let's say they earned 10% on your policy (\$100).

After deliberation, they decide to return \$90 back to you (the \$10 pays for administration fees and a contingency fund). This is not an actual *gain*. It is a *return of premium*, which is not considered a taxable event. This [tax saving tip](#) is widely unknown.

And, a dividend paid to your policy does not lose value. Its value is guaranteed because now it's part of the cash value.

- Option to Have the Insurance Company Pay Premiums if You Become Disabled

You can take advantage of a disability rider on the policy. In the event you become disabled, this rider has the insurance company continue the premium payments for you. You are no longer required to pay the premiums.

Can your 401k do that?

Can your IRA do that?

Can any other of your *qualified* retirement plans do that?

Adding this rider to your policy is another advantage to whole life insurance. You transfer risk away from you to somewhere else. It's the closest to [wealth without risk](#) you can get.

- **Provides Wide Flexibility**

You have the ability to do something special with the dividends. You can have the dividends paid directly to you. They can send you a check, no questions asked.

Or, you can make those dollars work even harder for you. You have the option of having those dividends purchase additional paid-up insurance. Those dollars will buy more life insurance, provide a bigger death benefit, and earn interest.

This advantage of whole life insurance will help you fight inflation. You have extra dollars growing your cash value and earning additional interest.

- **Can Borrow From Your Policy**

My wife and I did this recently to finish off the payments on our car. We do pay interest that does go to the insurance company. However, the dollars within the policy are still earning interest as well...compounding interest.

Best of all, you have no obligation to pay the principal back. If you carry that loan balance to your death, the principal will be deducted from your death benefit.

Compare that to the disadvantages of [401k loans](#).

- **Cash Value Can Be Used as Collateral**

Banks will accept the cash value within the policy as collateral. Unlike your car and boat, this collateral is appreciating.

- **Cash Value is Exempt from Creditors**

This is very important. We have encouraged our readers to [protect their assets](#). Of course, life insurance protects the most important asset, you. The death benefit is in place to replace your Human Life Value in the event of your death.

What some people don't realize is that the money inside a whole life insurance policy is protected as well. In the event that you are sued, creditors can't touch the money in your policies.

The reason is because life insurance policies are meant to benefit someone else, a beneficiary. But now you understand the advantages of whole life insurance and how you can utilize it in your living years. So, take advantage of this feature. It's another great way to protect your assets.